BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JUNE 1961

BUSINESS RECOVERY and the Balance of Payments

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IS COMPETITION THE FINAL TEST IN BANK MERGERS?

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MICR: What's in It for Smaller Banks?

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Toward Better Banker Education

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Plaque, Sepik River Area, New Guinea
Chicago Natural History Museum

In This Issue

A Survey of Banking Education

THE A.B.A. committee charged with studying banker education programs has made its report, and we publish a generous summary of it in the back of this June issue. The report is a critical analysis of the programs, which have grown so fast in the last decade; it also makes important recommendations. May we, in turn, recommend that you read our digest?

This MICR

ONE of our editors, Dick Kraybill, casting himself in the role of devil's advocate, took a skeptical look at the magnetic ink encoding of checks. To his question, "MICR: What's in It for Smaller Banks?" he found answers that should interest every banker from the one who's already encoding checks to the one who has made no plans to start (page 52).

"A Truly Autonomous Monetary Authority"

THAT'S our most promising hope of filling the need for "a bulwark to replace the loss of gold and the loss of fear of debt," says Professor James J. Carney, Jr., in "The Danger of a Fettered Fed" (page 57). The degree of autonomy the Federal Reserve System has today "hangs by a slender thread," contrasting sharply with "the firmly entrenched independence of the Supreme Court," asserts our author, who is chairman of the Department of Finance at University of Florida's School of Business Administration.

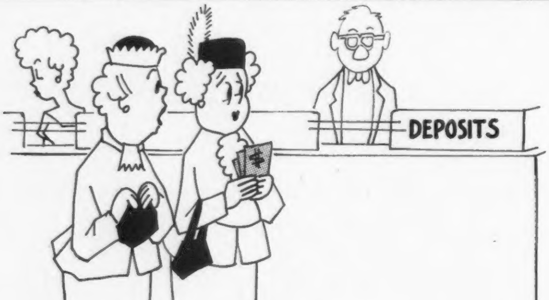
Bank Mergers and the Courts

HERBERT BRATTER reviews the bank merger situation in his "Is Competition the Final Test in Bank Mergers?" (page 40). Several suits are expected as a result of variant interpretations of the recent statute and the anti-trust laws. One of them was scheduled for early June in Philadelphia, and the decision, as Mr. Bratter notes, could have far-reaching results.

Thoughts for a New Branch

"A BRANCH bank," writes Spencer Weart in the article on page 50, "is like a restaurant—its capacity should be gauged to its patronage. No one likes to dine in an empty restaurant. . . . An empty bank is just as bad in connotation."

Mr. Weart, a management consultant, goes on to mention some of the practical criteria for measuring the size of a branch building in terms of a bank's own needs. If you plan expansion, "The Right Size Branch" is for you.



"You're sure you want to go through with this, Grace?"

BANKING

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

COMPLETE — AUTHENTIC

CONTENTS

JUNE 1961

Some material belongs in several different classifications but for your convenience is usually listed under one heading only

BANKING'S Investment Forum

Financial Analysts Hear Industries Evaluated

The National Federation of Financial Analysts Societies met in Richmond, Va., recently to hear some of the nation's leading businessmen talk about their respective industries.* BANKING *has condensed the material presented at the convention and publishes here selected briefs from eight of the forums.

Railroads

A FINANCIAL columnist recently stated that the market indices "barreled ahead despite the drag of the railroad stocks." He quoted a security analyst as saying, "Railroad stocks are as dead as the gaslight era."

Referring to this remark, Owen Clarke, vice-president of the Chesapeake and Ohio Railway Company, defended the present position of railroads. He admitted that railroad stocks could hardly be considered a growth investment, but he added that no industry could be put into the growth category when it is forced to price its products or services to protect its competitors. "No wonder railroads rank at the bottom of the list of some 70 major industrial groups with respect to profit ratios," he said.

He pointed out that his company and others were spending considerable money on improvements. He also said that railroads still pay out \$5-billion in wages each year; buy \$3-billion worth of products annually; and pay \$1-billion in taxes.

Chemicals

Although chemical stocks have recorded a subaverage market performance in comparison with the over-all stock market for the past year and a half, that condition may be reversed this year, according to one broker. Certainly, this kind of optimism was voiced by the men representing the industry before the security analysts.

David H. Dawson of the Du Pont Company pointed out that the chemical industry has been growing in modern times at a rate nearly double that of the nation's economy, and added that it still has "tremendous technological opportunities" in the Sixties.

While "it is patently absurd to expect such a trend to continue for the indefinite future, I am forced to conclude that it is reasonable to expect that it will continue for at least another decade," he told the analysts. He noted that the industry still has growing market opportunities in competing with glass and paper, cotton and wool, lumber and concrete, and leather and metals.

Paul Mayfield, vice-president of Hercules Powder Company, told the group that soaring costs of research may bring about a time "when it will no longer be possible to forecast enough profit from long-range research projects to make them economically feasible." He added that three world trends will cause the chemical industry to grow: rapid expansion of the world's population; depletion of natural resources; and pressure to provide modern standards of living for everyone.

Electronics

Controls and Data Processing

Since 1953 sales of electronic equipment have experienced about a 70% increase each year and are now estimated to be close to \$2-billion annually, W. J. Carroll, director of product planning of the National Cash Register Company, told the analysts.

This expansion took place on top of an industry which has about 6,000,000 conventional mechanical computers of various types, such as cash registers and adding machines. Even this market for conventional machines has been expanding at anywhere from 8% to 15% annually, he stated.

Mr. Carroll noted that the growth probably would have been greater but for the fact that the race in computer development placed them technologically beyond the capacity of input and output equipment, such as punched card or paper tape readers.

As a measure of the explosive growth of the industry in the past 10 years, Mr. Carroll cited the fact that the total professional and technical force increased 54%, although management personnel went up less than 10%. He noted that from 1943 to 1953 only two books were published about electronic computers, but 49 were published last year.

G. W. Dick, vice-president of RCA, predicted that we are moving very quickly to advanced electronic devices that scan documents and feed the required data into computers. It is even possible that data may be introduced by the spoken word, he said.

(CONTINUED ON PAGE 6)

(CONTINUED FROM PAGE 4)

Electronics

Space and Missiles

W. H. Patterson of the General Dynamics Corporation predicted that nuclear propulsion will be used in the future for putting into orbit large payloads from which a strategic system could be built.

Commenting on the tremendous growth and development of the strategic missiles program during the past 15 years, Mr. Patterson said that in late 1954 his company had only about 400 engineers working on the ICBM program. Today it has 25,000 people, most of whom are engaged in the Atlas program.

Expressing enthusiasm for the future, A. W. Robinson of General Electric predicted that the space market will increase from $1-billion a year in 1960 to $8-billion annually by 1970.

Petroleum

In the summer of 1960 oil shares had declined to one of their lowest levels of the postwar period and in many portfolios commitments in this industry were being cut down sharply. Where several years earlier it was common for about 25% of stock holdings to be in the petroleum industry, this percentage was often reduced drastically to 10-15%. Judging from the remarks made before the meeting of analysts, there is little likelihood that this situation will change very much.

C. L. Burrill, director of the Standard Oil Company, told the analysts that the proportion of Free World energy requirement supplied by oil and natural gas will not show any marked change in the next 10 to 20 years.

Caused partly by price weakness and partly by rising costs, the return on oil industry capital has declined substantially in recent years, he added.

Insurance

The life insurance business has shown growth in every year since 1895, except for the four years, 1931 to 1934, Charles A. Taylor, president of the Life Insurance Company of Virginia, told the analysts.

It has on the average been dou-

bling in size about every 10 years, he added, and there is nothing to indicate that we have come close to the saturation point.

The net rate of interest earned on invested funds of life insurance companies was 4.11% in 1960, Mr. Taylor stated. What it will do from now on depends on political as well as economic considerations. For the immediate future there seems to be little doubt that a further increase is almost certain.

Textiles

Today most textile securities, including those of major companies, sell at less than book value and probably below their real worth as an investment, according to William J. Erwin, president of Dan River Mills. He added that they are considered to be speculative and frowned upon for inclusion in investment portfolios, and yet it can be demonstrated that money has been made on selective investment in textile securities in postwar years.

Textiles is not a growth industry, Mr. Erwin said. It has a lower return on investment and sales then is usually the case in manufacturing industry as a whole. It faces worldwide competition, even from some of the so-called underdeveloped countries.

Charles F. Myers, Jr., executive vice-president of Burlington Industries, stated that if the Department of Commerce projections about expenditures for consumption of textile products in the Sixties are reasonably achievable, then the industry should have gradually improved earnings throughout the decade of the Sixties.

Aluminum

Aluminum today is the number one non-ferrous metal that broke through the 2-billion-ton production mark in 1960, Frederick J. Close, vice-president of the Aluminum Company of America, told the group.

Primary aluminum production capacity in the U.S. has more than tripled since 1950, he said. In the last year alone, Alcoa added 55,000 tons and Reynolds Metals Company completed 66,700 tons of new capacity. Today, the U.S. industry is operating at approximately 72% of rated capacity, he added.

GOVERNMENT BONDS

Bill Costs Decline Again . . . Generous Refunding of May Maturities . . . Federal Reserve Buys Bonds . . . Market Strengthens . . . Bank Investments Increase . . . Outlook.

MURRAY OLYPHANT

MOST of the business indicators have been showing moderate improvement. The automobile industry cheered up as both sales and production schedules improved. Steel production rose above 60% of capacity, with modest gains week by week.

Personal income rose again, as did the number of employed persons. There was some shrinkage in the number of unemployed, but this was regarded as only seasonal.

Nevertheless, the failure of the banks to record any increase in the demand for business loans was a clear indication that as yet the inventory positions of industry were still on a hand-to-mouth basis.

In consequence the avowed policy of the Administration to reduce the cost of credit began to be effective. The cost of Treasury bills declined again and the market for Government securities, especially for the longer maturities, strengthened materially.

Cost of Bills Declines

The record of the weekly sales of Treasury bills during April is tabulated on page 12.

There are now outstanding over $38-billion of bills, but there has been no let-up in the demand for them. Heavy corporation purchases resulted from the temporary use of funds derived from several large and numerous smaller sales of both corporate and tax-free bond issues during the month.

The $2-billion of bills issued in mid-month to refund a like amount maturing and originally taken at an average cost of 2.82% had risen to 2.65% by May 3.

Dealer transactions in U.S. Government and agency securities continue to consist of issues due in one year or less to the extent of nearly 80% of the total volume.

The bills issued on April 26 added an extra $100,000,000 to the 6-month maturity. In eight weeks the Treasury has now added about $500,000,000 to the amount outstanding and will probably get several $100,000,000 more before the end of the fiscal year on June 30.

While the increasing amount of these short-term obligations might have been expected to raise the interest cost there has been sufficient increase in the demand to produce the opposite result.

May Refunding

Maturing notes on May 15 amounted to $3,674,000,000 of 4⅜% certificates and $4,078,000,000 of 3⅝% notes, of which about $4.8-billion were publicly held.

The Treasury gave no right to exchange to holders of the maturities, merely offering for cash subscription about $5.25-billion certificates May 15, 1962 and about $2.50-billion 3¼% notes May 15, 1963 and reserving the right to over-allot the total sold.

Although the subscription books were open for one day, over $26-billion were subscribed for. About $5.5-billion of the certificates and $2.75-billion of the notes were allotted, thus

(CONTINUED ON PAGE 12)

Outlook

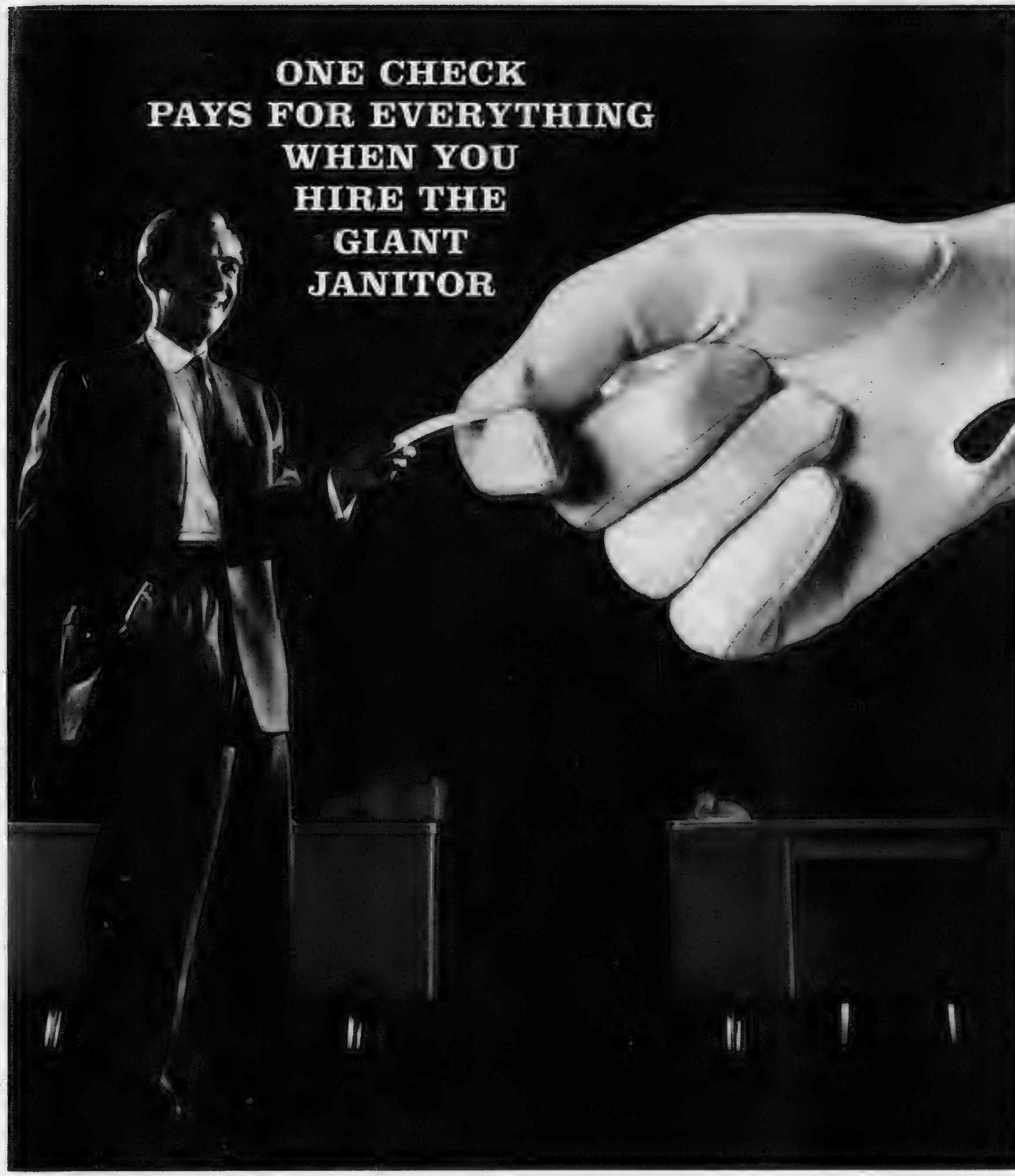
EARLY in the second quarter it looked very much as though prices for Government securities were not likely to change very much. True, the Administration was committed to a policy of not permitting interest rates to rise, but there seemed to be the possibility that improving business volume might so increase the demand for credit that its cost could not be kept down. During April, however, the general climate altered and prices rose rather sharply.

Apparently the rise was the result of several developments. There was no letup in the determination of the Administration to keep credit as easy as possible, especially as the risk of an outflow of gold seemed to have evaporated. Despite the moderate improvement in the indexes of business volume there was no increase in the demand for loans at the banks. The possibility that the Federal Reserve rediscount rate would be reduced seemed more probable. There were suggestions that the "prime" rate for bank loans was too high.

All this seemed to bring about an increase in the demand for somewhat longer maturities and this demand, finding the available supply very restricted, could only be met at higher prices. Such improvement might continue until the situation is altered.

However, it still remains true that a substantial increase in the volume of business is anticipated in the second half of this year. This might involve a marked increase in the demand for bank loans. Moreover, the Treasury will require a great deal of new cash between July 1 and December 31, possibly as much or more than $7,000,000.

It is difficult to see how such developments could fail to increase the cost of credit or how the prices of fixed income securities could be maintained at current or higher levels.



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Treasury Bills

Offered On	3 months Amount	3 months Average Cost	6 months Amount	6 months Average Cost	Yield Spread
April 5	$1.1-billion	2.360%	$500,000,000	2.556%	.22%
April 12	$1.1-billion	2.292%	$400,000,000	2.458%	.17%
April 19	$1.1-billion	2.186%	$400,000,000	2.300%	.11%
April 26	$1.1-billion	2.300%	$500,000,000	2.417%	.11%

(CONTINUED FROM PAGE 10)

obtaining new cash to the extent of about $500,000,000.

States, political subdivisions, pension and retirement funds, international organizations, foreign central banks and states, and Government investment accounts and the Federal Reserve banks received full allotments. All others were allotted 27% of their subscriptions for the certificates and 12% for the notes. Subscriptions for $25,000 or less were allotted in full and for more than $25,000 not less than that amount.

Generous Offerings

That the new offerings were generous was clear from the rush of subscriptions. It is understood that the Federal Reserve "policed" a number of unjustifiably large subscriptions. Both issues promptly sold at premiums in the "when issued" market. The 3¼% notes rose to $100\frac{14}{32}$ and the 3% certificates to $100\frac{6}{32}$.

The fact that the Treasury confined the new issues to maturities of one and two years, making no attempt to stretch out the maturities, seemed to indicate not only the desire to increase the supply of the amount outstanding in the short range, but also recognition that there was a lack of demand for anything longer.

Fed Buys Bonds

From April 5 to May 3 the Federal Reserve portfolio of Government securities declined $435,000,000 but the average positive reserve position of the member banks was maintained at over $500,000,000.

The gold stock remained stable, while circulation declined $55,000,000. Federal Reserve credit was down $105,000,000. In short there was little need for any marked action by the Federal Reserve authorities.

Nevertheless, purchases of maturities of longer than one year continued and the policy of so doing is shown by a comparison of the maturity schedule of the Federal Reserve portfolio as of March 1 and May 3 in the table.

Much of the change can be attributed to the passage of time. This was especially evident in the week ending May 3 when there was an increase of $4.5-billion in maturities of 90 days or less, this increase being offset by a decrease of about $5.75-billion in maturities of from 91 days to 1 year.

However, actual buying of bonds was shown by the increase of over $950,000,000 in the 1-to-10-year category and such buying began to have real effect in the market prices of such securities.

Long-Term Demand Up; Market Strengthens

From April 3 to May 1 the prices of the Government securities maturing in about one to two years showed only minor changes, but, as the ma-

Federal Reserve Maturity Table

	March 1	*May 3*	
Within 1 year	$15,863,000,000	$15,141,000,000	−$722,000,000
1 to 5 years	$ 9,344,000,000	$ 9,619,000,000	+$275,000,000
1 to 10 years	$ 1,189,000,000	$ 1,870,000,000	+$681,000,000
Over 10 years	$ 271,000,000	$ 151,000,000	−$120,000,000
Total	$26,667,000,000	$26,781,000,000	+$114,000,000

turity increased, prices generally rose, with the longest term issues showing the greater increases. These rose in many cases from 1 point to 1⅜.

After May 1, however, the market grew increasingly strong and gave evidence of renewed demand. At the same time dealers' positions were found to be decidedly thin. As a result prices were marked up quite sharply.

The increase in demand for somewhat longer maturities was perhaps the result of recognition that the Administration was firmly committed to a policy of lower interest costs. The gold situation was no longer regarded as a threat for the present at least. The German Bank reduced its rediscount rate. There were repeated suggestions that it would not be long before the Federal Reserve rediscount rate would be lowered. It was even said that the "prime" rate for commercial bank loans was too high.

Moreover, although the business indicators seemed to be improving, there was as yet no increase in the demand for business loans and the continued high "positive" reserve position of the member banks seemed to show that the banks could readily meet whatever demand should develop.

All in all there was little doubt that general sentiment was veering to the belief that a higher cost for credit was not to be expected for some time.

Under such circumstances the action of the market is quite understandable.

Loans and Investments

In the period from March 29 to April 26 the reporting member banks had a slight rise ($176,000,000) in their total of loans (adj.). However, the rise in the total resulted chiefly from an increase of $660,000,000 in loans to carry securities as the sum of commercial, agricultural and industrial loans was down $429,000,000.

The easy reserve position, however, permitted some addition to investment holdings. Government issues rose $831,000,000, but a little over $800,000,000 of this amount consisted of Treasury bills. "Other" holdings, which continue to be chiefly tax exempt securities, increased $59,000,000 to a total $10,973,000,000 which is just a little less than one-third of their total investments.

THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

ALTHOUGH international upheavals have caused some uneasiness in the market place within the last few weeks, at this writing the consensus remains with the bulls, while over-all volume continues to creep upward.

Latest monthly figures reveal that, for the first four months of the year, about 402,000,000 shares changed hands, with heavy emphasis on low-priced stock. By comparison, during the same period last year, a little more than 247,000,000 shares were traded.

Volume Causes Concern

Admittedly, the large trading volume has continued to concern some investors, especially those who lived through the ill-fated year of 1929. However, the New York Stock Exchange has pointed out that under present conditions it would take an average volume of more than 31,000,000 shares a day to achieve the turnover ratio that prevailed in 1929.

During that year the turnover ratio of listed stock was a mammoth 119%. This year, while the volume has broken records, the turnover ratio is only 19% because nearly seven times as many shares are listed now, compared with 1929. The Exchange stated in its monthly publication that "the surprising part is not that volume is so high, but that it has remained so low."

Mortgage Rates

Interest rates on mortgages have been of some concern to the Administration and the banking fraternity. Decline of such rates to about 5½% would seem to fulfill the expectations of Washington.

Some rates are now in excess of 6%. The Administration hopes that lower rates would have a beneficial effect on building and on private residential construction.

A reduction in mortgage rates would not have too much of an effect on bank earnings, since that would be offset by higher rates on short-terms.

Investment Portfolio Changes

RISING prices in all the investment markets were an obvious invitation for managers of mutual funds and other institutional investors to lighten their cash positions.

The net result was that buying of securities overshadowed selling. There was a more fully invested position all around.

The boom also reflected the release from the uncertainty of the election and what the new Administration would do, or propose to do. Even President Kennedy's plan of special aid to Latin America, which is opposed widely for many reasons, was taken seriously by investors.

Some Examples

Three direct and indirect examples were heavy buying of W. R. Grace on the chance that there might be a reduction in the loss from its shipping line operations. Since the expansion of trade would lead to greater communications' requirements, there was growing interest in investments in that industry. Favorites in that line were Western Union and International Telephone and Telegraph.

The heavy buying in this and other areas of the markets was also attributed to the thinking of old-timers, which is, while lip-service is being paid to economy and tax reform, all indications point to higher Government spending and more inflation.

The pattern certainly was discernible. As in all bull markets, redemption of fund shares rose. The first quarter of the year showed nearly half as many redemptions as new acquisitions. As long as the redemptions are not too large and cut too deeply into the portfolio as a whole, there still is an average net gain in the share asset value.

Optimistic views by portfolio managers continued to be displayed in the air lines, especially United, which will soon be the largest air carrier in the U.S. Bank shares were not unpopular, despite relatively poor first quarter earnings, but portfolio managers were not quite as optimistic as a year ago, owing, perhaps, to the heretofore unresolved question of what is going to happen to interest rates.

The food and beverage industries were likewise looked upon with favor. Armour, Canadian Breweries, Pabst, and Coco-Cola were leaders while others were held to be overpriced. Appliances and specialties also attracted interest.

The Minus Side

On the minus side, not very widely known difficulties caused some selling in stocks like Parke Davis, Eli Lilly, Mead Johnson, and others. Unfavorable publicity about price fixing caused reductions in holdings of General Electric and Westinghouse.

Polaroid, which has made spectacular progress in the past, as has Eastman Kodak, suffered from profit taking. Although the percentages were small, selling predominated in aircrafts and missiles.

Demand for plate glass securities was virtually non-existent. Agricultural shares were sold on balance, although a few funds added to their holdings in this area. Amusement and recreation issues have not done well.

All told, it was a well balanced market. There was and is some concern that, while professional and institutional investors adhere to sound value standards, some buyers are attracted by low-priced stocks rather than by inherent values.

heard along main

Compiled by Marguerite Beck

Recent news about board chairmen appears below:

First National Bank of Hawaii, Honolulu: CARL E. HANSON, president since 1951 becomes new board chairman, succeeding JOHN E. RUSSEL, who remains on board and as executive committee chairman. MR. HANSON is succeeded by DAN E. DORMAN, executive vice-president since 1957.

Carl E. Hanson

Citizens and Southern National Bank of South Carolina: HUGH C. LANE, chairman, was honored for 25 years with C&S at a meeting and luncheon at Magnolia Gardens, S.C.

John H. Brahm

Southern Arizona Bank and Trust Company, Phoenix: JOHN H. BRAHM, former president and director of First National Bank of Arizona, becomes board vice-chairman.

Citizens and Southern National Bank of South Carolina, Columbia: ANGUS E. BIRD, retired chairman, recently died at age 72. Mr. Bird had served as a member of the A.B.A. Advisory Committee on Federal Legislation, a director of the Charlotte Branch of Federal Reserve Bank of Richmond, of the advisory committee of the Reconstruction Finance Corporation, Columbia, and as a member of the executive council of the South Carolina Bankers Association.

The Leonia (N.J.) Bank and Trust Company: J. F. SEAL, former president, becomes chairman.

Newly-named bank presidents, listed by bank, include the following:

Metropolitan Bank of Miami, Fla.: EDUARDO MORALES, formerly senior vice-president, previously chief executive officer, Mercantile National Bank, Miami.

Eduardo Morales

International Finance Corporation, Washington, D.C.: EUGENE R. BLACK, World Bank president and chairman, International Finance Corporation in addition succeeds ROBERT L. GARNER upon his retirement from the International Finance Corporation's presidency.

Suncook (N.H.) Bank: HASCALL T. STIMSON, formerly executive vice-president, succeeds the late HARRY K. ROGERS.

Bank of Hartsville, S.C.: ROBERT G. CLAWSON, from executive vice-president and director, succeeding the late JAMES L. COKER.

Pass Me Another Passbook—That Last One Was Delicious!

"Button," a six-month-old spaniel pup owned by depositor Mrs. John Welch is nibbling at his interest in that drive-in drawer.

Teller Helen Leake, who mans the drive-in window at the Lima, Pa. branch of PROVIDENT TRADEMEN'S BANK, always pays the immediate dividend of a dog biscuit every time she returns Mrs. Welch's deposit book in the drawer. "Button" insists on accompanying his mistress at her banking chores, and will probably be permitted to do so as long as the deposit book doesn't meet the same crunchy fate as the toothsome dog biscuit.

"Button," Mrs. Welch, and Teller Leake

street

of ***BANKING'S staff***

Boston (Mass.) Five Cents Savings Bank; ROBERT M. MORGAN, formerly vice-president and treasurer; he succeeds J. REED MORSE, who continues as corporator and trustee.

Rocky Mountain Bank, Lakewood, Colo.: JAMES A. WOOD becomes president and chairman.

Potomac Bank and Trust Company, newly-organized, Fairfax, Va.: JOHN R. WILLIAMS.

John R. Williams

Southern Bank and Trust Company, Greenville, S.C.: THOMAS C. VANDIVER, former senior vice-president, South Carolina National Bank, Columbia.

St. Louis (Mo.) Capital, Inc., small business investment company: WILLIAM B. DUNWAY, senior analyst, Prudential Insurance Co.

First National Bank, Longview, Tex.: FRED A. BLOODWORTH, who resigns as executive vice-president of American National Bank of Gadsden, Ala. MR. BLOODWORTH is a past president of the Alabama Bankers Association.

Merchants and Planters Bank, Tchula, Miss.: RALPH L. RAY, formerly cashier, executive vice-president and director.

Security State Bank, McCamey, Tex.: DERWOOD LANGSTON, succeeding JOHN C. DUNAGAN, who becomes chairman.

National Commercial Bank, Liberty, Mo.: RUSSELL H. STOCKSDALE, succeeding LEWIS B. DOUGHERTY, JR. who becomes chairman.

Bank of Duluth, Minn.: HAROLD J. KELLEY, formerly executive vice-president and cashier.

Leonia (N.J.) Bank and Trust Company: ROBERT B. HANSEN, who has been the bank's chief executive.

Bank of Commerce, Fort Worth, Tex. JOHN M. GRIFFITH, JR., formerly vice-president, previously with Texas State Banking Department.

C. James Hughes

Pan American Bank of Miami, Fla.: C. JAMES HUGHES recently president, Metropolitan Bank of Miami, and president, Chamber of Commerce of the Americas.

Pretty staff members view exhibit

Art Exhibit Depicts the Story of Money

Prints of original paintings, commissioned by the American Express Company, tell in a new way the oft-told "Story of Money" in the lobby of HARRIS TRUST AND SAVINGS BANK in Chicago.

This series of 38 prints shows how coins, currency, letters of credit, travelers cheques and other money forms were created to meet specific needs, as well as the changes in the scope of bank service.

Bankers Support UN and IMF Postage Stamp

UNITED NATIONS. Seven major New York banks, all with overseas branches, recently honored the International Monetary Fund and the United Nations by posting both domestic and overseas mailings through the UN Post Office.

Bankers Trust Company, Chase Manhattan Bank, The Hanover Bank, Chemical Bank New York Trust Company, First National City Bank, Irving Trust Company and Manufacturers Trust Company officials and prominent philatelists were then feted at a reception held at the UN to underscore the significance of this one in a long series of UN commemorative stamps.

Among the brief addresses was an informal explanation given by David B. Vaughan, director of the UN Office of General Services on the value of making a UN mailing. Mr. Vaughan stressed its public relations value to the firm making the mailing, and its usefulness toward furthering the prestige and significance of the UN. Any individual or business may purchase United Nations stamps and mail individual or bulk mailings through the UN Post Office.

The IMF stamp has been issued in four and seven cent denominations.

Replica of IMF stamp

Banker Appointed Fund Chairman

The National Association for Retarded Children has chosen a research fund board chairman from the banking community. LEE J. MARINO, vice-president and comptroller, Central Savings Bank of New York, has been appointed.

There's a Mouse In the House!

Banking informality in Houston, Tex. reached a new high recently when a mouse joined a woman customer in a self-service elevator in TEXAS NATIONAL BANK. A scream-punctuated race began as soon as the door slid open at the banking floor, both woman and mouse speeding across the floor in fright. The head start gained by the mouse brought a tragic end as the tiny creature sped toward the cashier's cage. An alert employee intercepted it with her foot. Nobody was able to intercept the customer who sped out the bank door unidentified and has not been seen in the bank since.

Mexican Promotions

SOUTH OF THE BORDER: BANCO NACIONAL DE MEXICO, S. A., announces promotions to "director adjunto"—assistant deputy president—for Juan Gomez Domingues; Ladislao Lopez Negrete; and Alejandro Medina Mora.

(CONTINUED ON PAGE 20)

These Eggs Are All They're Cracked Up to Be

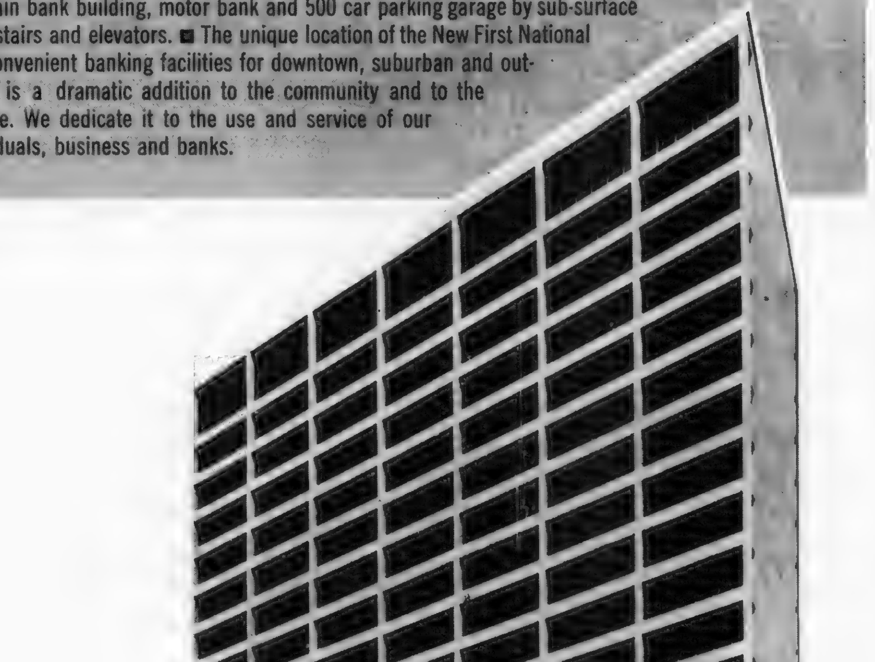
ZIONS FIRST NATIONAL BANK in Salt Lake City, Utah, got some Grade A Extra Large publicity when Reed Glauser, Salt Lake City egg producer, gave his four young sons checks written on raw eggs. Newspaper and television coverage provided a re-enactment of the four youngsters coming in to cash their eggs, and the hand cancelling of the eggs, which had to be done mighty gingerly!

The Glauser family

You're cordially invited to visit our New Quarters...

A New World of Banking for Fort Worth for Texas and The Southwest

You'll see a beautiful and magnificent structure designed to incorporate every modern feature that will contribute to greater banking efficiency, convenience and pleasure for our customers. Covering TWO FULL ACRES, it overlooks beautiful Burk Burnett Park. It has been described by the architects as "a glass box inside a steel cage." ■ The lower level occupies over 85,000 square feet, connecting the main bank building, motor bank and 500 car parking garage by sub-surface corridor, moving stairs and elevators. ■ The unique location of the New First National provides quick, convenient banking facilities for downtown, suburban and out-of-town areas. It is a dramatic addition to the community and to the Fort Worth skyline. We dedicate it to the use and service of our customers; individuals, business and banks.



THE FIRST NATIONAL BANK OF FORT WORTH

NUMBER ONE BURNETT PLAZA ■ MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 18)

New vice-presidents, and recent changes in vice-presidential categories include:

Commercial Bank of North America, New York, N.Y.: MELVIN H. SHAGAM.

First Camden (N.J.) National Bank and Trust Company: ROBERT J. LOUNSBURY, FREDERICK J. SCHOLZ.

Second District Securities Co., Inc., New York, N.Y.: JAMES G. GILSON joins as *executive* vice-president and *director*, leaving vice-presidency at Connecticut Bank and Trust Company, Hartford.

Security National Bank of Long Island, Amityville, N.Y.: BENEDICT G. SOLM, vice-president, becomes executive board member of Long Island division of Better Business Bureau.

(CONTINUED ON PAGE 22)

Hawley Elected NAMSB President

The NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS has elected officers for 1961-62 as follows: president, Samuel Hawley, president, Peoples Savings Bank, Bridgeport, Conn.; vice-president, John W. Kress, president and manager, Howard Savings Institutions, Newark, N. J.; treasurer, Alfred S. Mills, president, The Bank for Savings in the City of New York. Election was held at the association's recent 41st annual convention in Philadelphia.

Samuel Hawley

the new

FIRST CITY NATIONAL BANK *of Houston*

Condensed

STATEMENT OF CONDITION

as of April 12, 1961

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

RESOURCES	Cash and Due from Banks		$230,203,719.98
	U. S. Government Bonds	$188,386,029.48	
	Municipal Bonds and Warrants	7,915,191.49	
	Federal Reserve Bank Stock	1,650,000.00	
	Other Investments	1,247,648.15	199,198,869.12
	Loans and Discounts		246,857,162.28
	Federal Funds Sold		18,000,000.00
	Bank Premises	$ 18,508,464.06	
	Furniture and Fixtures	1.00	
	Other Real Estate	24.00	18,508,489.06
	Interest on Securities and Other Income Earned—Not Collected		1,723,390.87
	Customers' Liability on Letters of Credit		5,511,414.12
	TOTAL RESOURCES		$720,003,045.43
LIABILITIES	Capital Stock		$ 27,500,000.00
	Surplus		27,500,000.00
	Undivided Profits		6,496,818.04
	TOTAL CAPITAL ACCOUNT		$ 61,496,818.04
	Reserve Accounts		4,732,752.08
	Liability on Letters of Credit		5,511,414.12
	DEPOSITS:		
	Individual	$482,140,366.17	
	Banks	160,750,730.11	
	Government	5,370,964.91	648,262,061.19
	TOTAL LIABILITIES		$720,003,045.43

(CONTINUED FROM PAGE 20)

Hampton Bank, St. Louis, Mo.: WILLIAM F. UNWIN becomes vice-president and *cashier.*

McMahon-Kilroy Co., Inc., Chicago, Ill.: RONALD M. KIMBALL joins, leaving vice-presidency of Continental Illinois National Bank, Chicago.

Bankers Trust Company, New York, N.Y.: ELLSWORTH DONNELL, FRANK J. JONES, JOHN B. YOUNG.

The Puget Sound National Bank, Tacoma, Wash.: A. R. WHITMAN becomes *senior* vice-president.

State-Planters Bank of Commerce and Trusts, Richmond, Va.: HORACE R. HARRISON, also *cashier;* B. W. TURNBULL, also *trust officer.*

Bank of Nevada, Las Vegas: C. D. DON BROWN, also becomes *trust officer* heading new trust department.

Bankers Trust Company, New York, N.Y.: KENNEDY RANDALL, JR., from assistant vice-president.

Wilbur R. Hagerman

Security First National Bank, Los Angeles, Calif.: WILBUR R. HAGERMAN, *senior* vice-president, retires after 51 years in banking.

She Made a Slip-Up In Her Night-Drop!

Deposit at night? Why not, thought the lady customer. The drawer was clearly marked for night deposit, she had her salary check with her, and her daytimes certainly were too full to save the chore until tomorrow.

A few days later, the bank called to inform her that she was overdrawn.

"Absolutely not," said the lady.

"Certainly," said the bank.

But, she explained, she'd deposited a check just a few days before.

(CONTINUED ON PAGE 24)

(CONTINUED FROM PAGE 22)

No record of deposit said the bank. When and where did she deposit?

In the night deposit box, she said.

Impossible, said the bank. Only merchants with keys can do that.

The lady and the bankers then went to the outside wall of the Cameron Village branch of WACHOVIA BANK AND TRUST COMPANY, Raleigh, N. C.

"That's where I did it," she said. And she had deposited her check, all right—straight through a crack in the brick wall.

Bank officials couldn't get under the bank to get the check. Her boss issued a new one. A mason has cemented that crack. And now she banks by day.

More new vice-presidents and vice-presidential changes.

Merchants National Bank of Port Arthur, Tex.: G. E. MERCER, who also retains title of *cashier*, and D. S. HAMILTON.

Bank of America, N.T. & S.A., Los Angeles: RONALD G. ROSS, A. W. CLAUSEN.

Richard A. Gock

Central Valley National Bank, Oakland, Calif.: RICHARD A. GOCK.

Sommerset Trust Company, Somerville, N.J.: KARL F. NANN, also *assistant trust officer*.

Chase Manhattan Bank, New York, N.Y.: HERMAN W. HESS, JASON H. STOCKDALE, GEORGE E. KRUGER, all former assistant vice-presidents.

Bank of America, N.T. & S.A., Alameda and San Mateo counties, respectively: GEORGE R. DAGNALL, VICTOR GILE.

Pittsburgh (Pa.) National Bank: SPEROS G. DRELLES, from investment firm of Chaplin, McGuinness & Co.

(CONTINUED ON PAGE 26)


YOUR BANK

(CONTINUED FROM PAGE 24)

The Philadelphia (Pa.) National Bank: CHARLES E. PANCOAST, III, from assistant vice-president.

United California Bank, San Francisco, Calif.: EUGENE J. WATT, senior vice-president, retires after 40 years of banking service in Northern California and in Nevada.

Ball, Burge, & Kraus, Cleveland, Ohio: EUGENE C. STUMM, formerly vice-president, National City Bank of Cleveland, Ohio, becomes Ohio and Western Pennsylvania representative.

Security First National Bank, Los Angeles, Calif.: ROBERT M. RAYMOND.

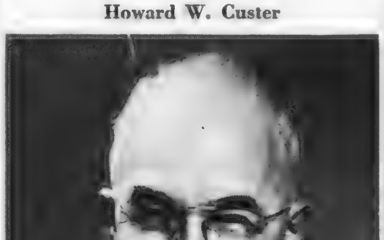
Long Island Trust Company, Garden City, L.I., N.Y.: WALTER E. DOWNING, from assistant vice-president.

(CONTINUED ON PAGE 28)

Custer Named CABA President

Howard W. Custer, vice-president, Peoples National Bank and Trust Company, Norristown, Pa., has been elected president of the Charge Account Bankers Association. Officers also elected at the CABA eighth annual convention, held in New York, included Charles L. Kilgore, assistant vice-president, Indianapolis Morris Plan, who was named vice-president.

Howard W. Custer



(CONTINUED FROM PAGE 26)

Exchange Bank of Temple Terrace, Tampa, Fla.: MAX E. HOLLINGSWORTH.

Chase Manhattan Bank, New York, N.Y.: JAMES W. NORTH, from assistant vice-president; also ALBERT C. BOSSERT, JOSEPH J. O'BRIEN.

The Connecticut Bank and Trust Company, Hartford: WALTER J. CONNOLLY, from Hartford office of investment firm, Hornblower & Weeks.

Republic National Bank of Dallas, Tex. GEORGE J. WATTS, vice-president, becomes president of Dallas Advertising League.

Security First National Bank, Los Angeles, Calif.: ROLLAND R. CARR, CHARLES A. STUTZ.

(CONTINUED ON PAGE 30. SEE PAGE 29 FOR NEW STATE ASSOCIATION PRESIDENTS.)

A Little Boy And Some Grownups

R. Otis McClintock, *left*, senior board chairman of First National Bank and Trust Company of Tulsa, Okla., kicked off the observance of National Boys' Club Week in April by presenting a membership card in the Mabee Red Shield Boys' Club to 6-year-old Leslie H. Sullivan. With Mr. McClintock, who is a member of the Boys' Club of America national board, is Ed R. Patterson, head of the Mabee club board, and Captain Clay Stacher of the Salvation Army, executive director of the club

New State Association Presidents 1961-62




Above, *left to right:* GEORGIA: George H. Joiner, executive vice-president, First State Bank of Albany; LOUISIANA: W. P. Sevier, Jr., president, Tallulah State Bank and Trust Company; ILLINOIS: Jacob W. Meyers, president, Corn Belt Bank, Bloomington; ALABAMA: W. T. Cothran, president, Bank for Savings and Trusts, Birmingham




***Above, left to right:* SOUTH DAKOTA: C. C. Lind, president, First National Bank of Aberdeen; OHIO: Francis A. Mekus, president, Croghan Colonial Bank, Fremont; MISSOURI: B. M. Glassen, executive vice-president, Mechanics Bank and Trust Company, Moberly; MARYLAND: James P. Casbarian, board vice-chairman, Suburban Trust Company, Hyattsville**

Below, from *left to right:* TENNESSEE: Earl Reasor, board chairman, First Peoples Bank, Johnson City; TEXAS: L. S. Goforth, president, Comfort State Bank; DELAWARE: Garland F. Potts, vice-president, Delaware Trust Company, Wilmington; NEW JERSEY: W. H. Keith, executive vice-president, National State Bank, Newark




MAIN ST.

(CONTINUED FROM PAGE 28)

First National Bank, Washington, D.C.: ROGER M. STUART, JR., who is a vice-president, also becomes *trust officer.*

Fayette National Bank, Uniontown, Pa.: DONALD A. FISHER, from assistant vice-president; ROLLA M. VARNDELL, also becomes *trust officer.*

Bank of America, N.T. & S.A., Oakland, Calif.: EDWARD L. S. EVANS.

First National Bank in Greensburg, Pa.: JOSEPH K. ROBINSON becomes *senior* vice-president.

Mellon National Bank and Trust Company, Pittsburgh, Pa.: G. EDWARD HAMMER, from assistant vice-president and manager.

G. Edward Hammer

Central National Bank of Richmond, Va.: WILBUR R. CROSS.

Security First National Bank, Los Angeles, Calif.: H. FRANK IVERSON, vice-president, retires after 33 years of service.

H. Frank Iverson

United California Bank, San Francisco, Calif.: RUDOLPH NOLTHENIUS, vice-president, retires after 45 years with bank.

Bank of America, N.T. & S.A., San Francisco: HOWARD G. CHANN.

Chase Manhattan Bank, New York, N.Y.: ROGER A. LYON, PALMER TURNHEIM, JOHN J. WARD.


As
Continental's
correspondent...

BANKING
JUNE 1961
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK and CONDITION OF BUSINESS

In an article on page 39, CHARLS E. WALKER, *executive vice-president and executive manager of The American Bankers Association, looks at the remainder of 1961 with optimism inspired by recent statistical indicators. His comments are based on a recent public address.*

A digest and charts bearing on the outlook appear on the next two pages.

Making Sure the Monetary System Is Up-to-Date and Ready

When President Bimson announced the appointment of Charls E. Walker as Executive Vice-president and Executive Manager of The American Bankers Association he announced, also, that the Association would make a broad study of the purposes and objectives of the organization.

Mr. Bimson believes that the next few years will bring great challenges to the banks of the nation and the whole free world—challenges of such magnitude that they could mean defeat or victory in the cold war.

Getting Ready for the Future

The importance and timeliness of this project is about to be emphasized and underscored by a study which has been three years in the making by the Commission on Money and Credit, a group set up by the Committee for Economic Development.

The results will be published in book form sometime in June. The range of subjects and the names of the distinguished bankers, business and educational leaders connected with the study, all attest its great significance to the nation. July BANKING will carry a summary of the commission's recommendations.

The title of the book will be: *MONEY AND CREDIT—Their Relationship to Jobs, Prices and Growth.*

The titles of the task forces provide a good picture of the scope of the inquiry:

A. The Federal Reserve System
B. Government Fiscal and Debt Management Policies and Other Treasury Monetary Activities
C. Activities of Other Federal Credit Agencies
D. Private Financial Institutions: Their Role and Regulation
E. Money in Relation to Inflation, Employment, and Growth
F. Governmental Organization for Policy Determination

The personnel of each task force is made up for the most part of members of the commission.

There was a large and distinguished group who served as staff members.

The full commission held 12 meetings—37 working days in all—attended by all or most of the commission members.

The task forces held 34 meetings, many of which lasted three or more days.

There were 108 outside research projects undertaken, resulting in papers and studies, many of which will be published after the publication of the full report by Prentice-Hall, Inc.

Consultations were held with many trade associations, nine of which prepared monographs.

Many questions were answered by the Treasury and Federal Reserve System.

The report will be in these ten sections:

1. Introduction
2. Goals of Commission
3. Monetary Policy
4. The Public Debt
5. Fiscal Policy
6. Private Financial Institutions
7. Federal Credit Agencies
8. International-U.S. Balance of Payments
9. Choice and Combination of Policy Instruments
10. Organization and Coordination

Some of the questions they will try to answer are these:

Will more rapid growth be achieved by giving up some price stability or some economic freedom?

In view of past developments and future needs, should

(CONTINUED ON PAGE 134)

The Condition of Money and Credit

Home Mortgage Financing

(billions of dollars)

	1955	1956	1957	1958	1959	1960 (est.)	1961 (proj.)
Nonfarm mortgage recordings of $20,000 or less							
Less: Repayment on home mortgages	15.9	16.3	15.7	17.3	19.0	18.4	19.2
Increase in home mortgages	12.6	10.8	8.6	10.1	13.2	10.9	11.8
Increase in ownership							
Life insurance companies	2.5	2.5	1.3	0.9	1.2	1.4	1.5
Mutual savings banks	2.1	1.9	1.1	1.5	1.3	1.4	1.6
Savings and loan assoc.	5.1	4.0	4.0	5.2	6.8	6.3	6.8
Corporate pension funds	0.1	0.1	0.1	0.1	0.1	0.2	0.2
State and local gov't retirement funds	...	...	0.1	0.2	0.3	0.3	0.3
Credit unions	...	0.1	...	0.1	...	...	0.1
Total savings institutions	9.8	8.5	6.6	8.0	9.8	9.6	10.5
Commercial banks	1.8	1.2	0.1	1.2	1.5	0.1	0.6
Business corporations	0.5	—0.1	—0.3	0.5	0.2	...	...
Federal agencies	0.3	0.5	1.1	0.1	1.9	1.0	...
Residual: Individuals & others	0.2	0.8	1.1	0.3	—0.1	0.2	0.7
Total	12.6	10.8	8.6	10.1	13.2	10.9	11.8

SOURCE: Bankers Trust, New York.

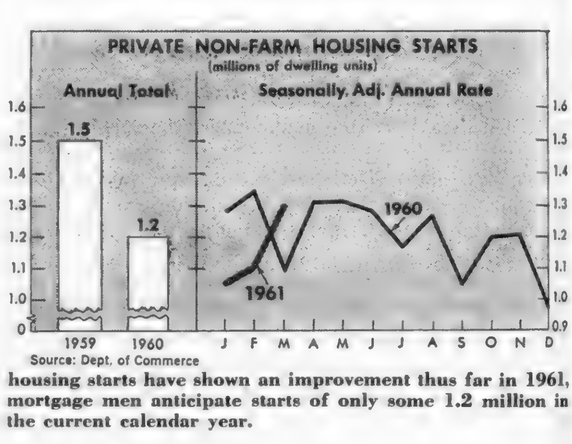
The net increase in home mortgage debt is predicted to be about $11.8-billion in 1961, according to a recent study by the Bankers Trust Company, New York. The bank's 13th annual report on investment trends indicates that the biggest single source of new mortgage money again will be from savings and loan associations.

Housing starts declined by about 18½% last year and mortgage recordings were off by about 9%. "These developments in the course of 1960," the bank notes, "were in striking contrast to the trend in earlier periods when housing starts and accordingly residential mortgages, and other categories of mortgage debt as well, tended to move upward against the business cycle. Contributing importantly to this variation in the behavior of mortgage debt in 1960, especially in the case of residential mortgages, is the changed housing market, as indicated by increased vacancies and sluggish sales of both old and new homes."

Interest Rates on Conventional Loans, March 10, 1961

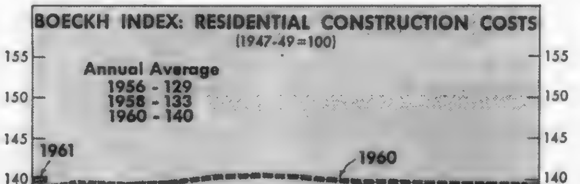
	Com'lBanks, Ins. Co.'s	Sav.Banks, SLA's		Com'lBanks, Ins. Co.'s	Sav.Banks, SLA's
Atlanta	5¾—6	6 —6¼	Los Angeles	6	6¼—6½
Boston	5½	5½	Newark	5¾—6	5¾—6
Chicago	5½—6	5½—6¼	N. Y.	5¾—6	5¾—6
Cleveland	5¾—6	5¾—6	Phila.	5½—5¾	5½—6
Denver	5¾—6	6 —6½	San Fran.	5¾—6	6 —6¾
Detroit	5¾—6	5¾—6	St. Louis	5½—6½	5¾—6.6

SOURCE: Survey by *House and Home* magazine, April 1961.



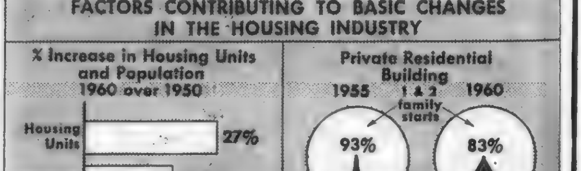
Source: Dept. of Commerce

Currently, mortgage money appears to be in ample supply and mortgage rates in most areas are below the 6% level. But there seems to be no trace of a boom in housing. While housing starts have shown an improvement thus far in 1961, mortgage men anticipate starts of only some 1.2 million in the current calendar year.



Source: E. H. Boeckh & Assoc. & Dept. of Commerce

Housing construction costs continue considerably above 1959 levels. High prices of homes may be a deterring factor to new home buying. Preliminary census figures show that the rise in the number of housing units from 1950 to 1960 was greater than that for the population as a whole. This may indicate a good part of the demand for housing in the post-war period has been met. Also, the mortgage market has become more diversified. In 1960, rental structures accounted for 17% of all private residential building, compared with only 7% in 1955.



Source: Census Bureau, Dept. of Commerce

Digest of the Business Outlook

Money Supply and Demand

LOANS. Although the economy is officially described as recovering, this didn't show up in April bank loans of some 380 weekly reporting banks. Loan demand lagged. Total loans rapidly declined. Food and commodity dealers and especially metal companies paid off bank debts. Trade group went into contraseasonal decline. But real estate turned up for first time in 1¼ years. Consumer borrowing was weak. Finance company debt got to lowest level in years. Some increase in loans to securities dealers.

RATES. Money market pressures generally have been light this spring. Spread between long- and short-term rates is less. Morgan-Guaranty has published study of interest rate relationships, 1951-61; tries to isolate seasonal and secular trends.

Sec'y Dillon thinks it would be dangerous for short-term rates to go much lower; but considers 6% mortgage lending rate still too high. Gov't would like to see it at 5½%. Sec'y Dillon sees no justification for raising the banks' prime rate.

SAVINGS (difference between income and consumption) rose in first quarter. Preliminary data show following annual rates: 1960 last quarter, $27B; 1961 first quarter, $28B. While this figure may later be revised downward, it will still be better than last quarter.

Lower long-term rates will tend to discourage saving; but if they induce home buying including downpayments, the latter will constitute savings.

FEDERAL BUDGET. March revised estimates put deficits at $2.2B for fiscal 1961; $2.8B for 1962. The April 20 tax package assumes revenue losses and gains it suggests will offset each other, but Congress reportedly isn't buying the whole package. Nor did it accept the whole highway package. Diversion of funds from general fund into highway trust fund also will add to deficit.

INFLATION won't ensue from the budgeted deficits, Sec'y Dillon assures us, as economy is working well below capacity. Even fairly fast recovery will need more than a year to approach capacity.

General Indicators

GNP in 1960 ceased growing, but didn't decline. The $503.2B total may increase to $508-9B in 1961 whereas, with normal growth, it would reach annual total of about $518B. We may get that rate in the 4th quarter.

PERSONAL INCOME, $409.6B in March, was $3B higher than February (annual rates). Half the increase was the VA's life insurance rebate. Commerce Dep't has analysis of 1960 personal income flow by states.

NATIONAL INCOME includes employees' compensation, proprietors' and rental income, corporate profits, and net interest. Profits data are months late, so 1960 national income isn't computed yet, as we write.

INDUSTRIAL PRODUCTION has been rather steady the past few weeks. Steel and auto improvement is helping. The bottom of the recession probably was touched late in the winter. *Federal Reserve Bulletin* and *Chartbook* carry this index regularly.

Spending

GOVERNMENT is spending in various directions to stimulate the economy. Many Government economists say budget shouldn't be balanced until unemployment gets down to 4% of labor force. They say it would need a GNP annual rate of $530B in the 4th quarter to reduce unemployment to 4%.

BUSINESS. McGraw-Hill survey of plant and equipment spending plans points promisingly upward in second half. April 29 *Busines Week* notes that during upswings business always tends to underestimate its spending plans. Even without that, 4th quarter will be near record.

CONSUMER. Going pretty well. Retail sales, especially durables, look better. A good sign is increased 2nd quarter auto production schedule.

Prices

CONSUMER. Still pretty stable. March saw a slight rise in auto prices, instead of the normal seasonal decline. Foodstuffs declined moderately, but services creep ever upward. Average consumer prices should be somewhat higher by year-end.

WHOLESALE. Stable, on the whole. Business pick-up has begun to affect some sensitive commodities: steel scrap and nonferrous metals. Lumber, declining fairly steadily since mid-1959, rose in March, reflecting recession production cutbacks. Textiles, weak, should soon stabilize.

Employment

UNEMPLOYMENT CLAIMS have been dropping sharply; more than seasonally since Feb. peak. Total unemployment dropped 533,000 in April.

EMPLOYMENT in April rose to 65,734,000 or about 93% of the total labor force. Both employment and unemployment are expected to rise in June with the seasonal influx of students seeking jobs.

General Categories

CONSTRUCTION is a bit better than expected, except for housing. Lower mortgage interest rates cannot help 1961 housing much. The building season has been in full swing for some time. June-Aug. projects are already decided. Gov't expects 1961 housing will be 3-4% above 1960. Lower interest rates could stimulate 1962 housing, provided 1961 homes sell well.

AGRICULTURE. April prices received by farmers dropped 2%. With farm costs at record high, parity ratio declined from 80 to 79, where it will stay for a while. By year-end it may be better than 1960. Effect of raising price supports will become apparent in the second half of 1961.

CHEMICALS seem slightly better. As economy gains, so will chemicals. They didn't decline as much as general business. The industry's big problem aren't sales, but profits. Sales prospects are good: 1961 3-5% above 1960.

ELECTRONICS industries continue to expect 1961 to exceed 1960 business. Some consumer items declined heavily in the first quarter. Phonographs, radios, and TVs have a long way to come back. By late summer strong upswing is anticipated, but not equaling the pace of recent years.

TEXTILES. Cotton outlook is brighter than for many months, with some pick-up in business. Imports staying at about 1960 level. By June Government should reveal its textile policy. Kennedy reportedly has turned down import quotas.

Mild upturn in woolens is expected. Prices are fairly firm. A steady increase of imports clouds the picture. On the whole, the prospect is mildly favorable.

(CONTINUED ON PAGE 130)

Washington

Taxes: Equality; Withholding . . . Mergers . . . Disclosure

THOMAS W. MILES

WITHIN the space of two weeks the prospects for tax uniformity legislation in this session of Congress rose to an unprecedented peak, then fell back a few points, and finally went up again to a most promising position.

The sequence of these developments went something like this:

In his tax message of April 20 President Kennedy called for a Congressional review of the bad debt reserve treatment presently accorded savings and loan associations and mutual savings banks. The hopes of commercial bankers soared.

This was followed by an announcement by Chairman Wilbur D. Mills that his House Ways and Means Committee would begin hearings May 3 on the President's revenue program. That looked like a step toward implementation.

But a few days later it developed that Treasury was not ready to testify on taxation of mutual financial institutions and that the subject would not be considered at the hearings. That was disappointing but short-lived because at the outset of the hearings Secretary of the Treasury Douglas Dillon stated that Treasury would have a proposal in this area by June. This raised bankers' hopes.

The pertinent paragraph in the President's message was this:

"Some of the most important types of private savings and lending institutions in the country are accorded tax deductible reserve provisions which substantially reduce or eliminate their Federal income tax liability. These provisions should be reviewed with the aim of assuring non-discriminatory treatment."

With reference to the taxation of cooperatives and fire and casualty insurance companies, as well as mutual financial institutions, the President said: "Remedial legislation in these fields would enlarge the revenues and contribute to a fair and sound tax structure." Concluding his message, Mr. Kennedy pointed out that "these items need to be done now," although he explained that they are only the first step in a program aimed at thorough tax reform.

Commercial bankers were indeed pleased at the President's request for a Congressional review of tax inequality among financial institutions and the definite indication that the Chief Executive is aware of the problem.

Tax Matters Limited

In announcing the hearings Mr. Mills made it plain that only those proposals set forth in the message would be considered by the committee; no other tax matter was to be taken up until the next session. This emphasized the fact that if a study by Congress of the bad debt reserves of private savings and lending institutions had not been requested in the message the matter would not have come up at all in 1961.

President Carl A. Bimson of the American Bankers Association was quick to point out that the objectives of this recommendation are provided for in bills already introduced in the House by Representatives Harrison of Virginia and Curtis of Missouri. Congress, then, had a ready-made vehicle by which it can proceed to eliminate at least one of the economic injustices within our society which Mr. Kennedy had mentioned. For a few days, at least, many people thought the lawmakers would do just that.

Awaits Treasury Studies

But on April 25, Chairman Mills released a letter from Treasury Secretary Dillon in which the Secretary said he was not prepared to testify at the current hearings with respect to the tax deductible reserve provisions of private savings and lending institutions. The Treasury Department, Mr. Dillon explained, had not completed its studies on the subject and did not wish to submit its views until the studies are concluded. Chairman Mills acceded to the Treasury's wishes and announced that the hearings would not cover this portion of the President's tax recommendations.

No indication was given by the Treasury as to when the studies would be completed. Chairman Mills said only that the recommendations would be made public when they are received and public hearings will be held before his committee takes action.

When Secretary Dillon presented his opening statement to the commit-

tee on May 3 he sprang a surprise by offering the information that the Treasury's studies would be completed sometime in June and that recommendations would at that time be presented to Congress.

Under questioning by Representative Harrison the next day the Secretary said his proposals might even be ready toward the end of May, in time to be included in the present hearings or shortly thereafter.

Agencies Consulted

Numerous questions arose from the initial postponement, but these appear to have been answered satisfactorily. Fears that the "need for further study" was merely an old Government dodge, rather than a legitimate quest for more adequate information, were unfounded. In seeking such information, the Treasury is consulting with interested Government agencies, including the Federal Reserve Board, Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the Comptroller's Office.

To be called in also are representatives of the financial institutions which will be affected by any proposed legislation. The A.B.A. has offered to cooperate with the Secretary in helping the Treasury to arrive at the best possible solution and will, of course, stress the Harrison-Curtis approach of simply repealing the 12% bad debt reserve now accorded savings and loan associations and mutual savings banks.

The tax hearings may last into July, giving Chairman Mills the option of broadening the present schedule to include tax uniformity or to set separate hearings for this issue after the other recommendations have been dealt with.

Outlook: "Better Than Ever"

Thus, the outlook for remedial tax legislation is better than it ever has been, although for a while commercial bankers thought the Harrison-Curtis proposal would be under consideration by Ways and Means during the current hearings. At least they can now look to hearings later this summer and to support from the Administration for action on the problem. Congress, incidentally, will not be adjourning as early as some of its members had hoped.

The President stressed the need for immediate Congressional action and asked that his recommendations be treated as a package, in order that revenue lost through one proposal be regained by the elimination of certain defects and inequities in the present tax structure. In a press conference, Mr. Kennedy spoke of the careful attention the whole tax program had received from the Treasury and from the Council of Economic Advisers. "It had the strong support of Mr. Dillon and others who have given this matter great consideration," he said.

There is good reason for viewing the delay optimistically in view of the political complexities of the President's program. His tax credit plan for business met with outspoken opposition from Republican members of Congress, as did most of the other tax recommendations. Democrats, generally, had very little to say about the program at first. In recent weeks some have become more vocal in their criticism of Mr. Kennedy's recommendations, an attitude which was especially evident during the first days of the hearings.

Business-Labor Views

In addition, both business and labor expressed disapproval of the investment tax incentive scheme, but for different reasons. Business favors a more liberal depreciation law rather than tax credits, and labor thinks the tax incentive for modernization and expansion is not the proposal most conducive to economic growth that could have been advanced. Both viewpoints can claim a substantial number of votes in Congress.

This multi-pronged opposition is bound to cause some trouble for the tax program, and the President foresees a hard fight. Thus, in a way, it would be better, perhaps, if measures to provide tax uniformity among financial institutions are not included as part of the political melee that is almost certain to take place during the hearings now in progress.

Withholding Rate

Another section of the tax message brought an anticipated recommendation which, if enacted, would mean a good deal of trouble for banks and other dividend and interest payers.

The President asked for legislation "to provide for a 20% withholding rate on corporate dividends and taxable investment type interest, effective January 1, 1962, under a system which would not require the preparation of withholding statements to be sent to recipients." He contended that it would place a relatively light burden of compliance on banks and other dividend and interest payers. This contention does not exactly fit with the ideas which dividend and interest payers themselves have.

The joint educational program undertaken two years ago by banks and

INDIANAPOLIS NEWS

"Think of the boost it will give the economy"

the Treasury to inform dividend and interest recipients of their obligations has not appreciably lessened the gap in reporting, according to the President. He estimates that about $3-billion of taxable interest and dividends goes unreported each year. He calculated that his proposal would increase revenue by about $600,000,000 a year.

Representatives of commercial banks, savings and loan associations, mutual savings banks, the stock exchange, and others have met often with Treasury officials in an attempt to present the many problems involved in a withholding system. They were able to effect some modifications. But even though the Treasury knows all the complexities and hardships of withholding, it is still going ahead with approval of the idea.

As the chief revenue gainer for offsetting the cost of the investment tax credit, withholding will be strongly urged by the Administration. There are indications, however, that some compromises will be made with the original "blanket" withholding proposal, such as elimination of school savers and other low income individuals from the requirements. Congress finds itself in a difficult spot on this one.

It is reluctant to provide an outflow of funds through the tax credit plan without passing legislation to bring some money back, while at the same time there is a recognition of the many burdens which would be placed on constituents by mandatory tax withholding on dividends and interest.

ADP for Tax Returns

Withholding will be ninth on the list of 11 tax recommendations before Ways and Means. The A.B.A. was scheduled to testify on May 26.

A possible solution to this problem, from banking's standpoint, might be found when automatic data processing (known as ADP) becomes fully operative in all internal revenue districts about four or five years from now. The President also asked for legislation authorizing taxpayer account numbers, which are to be an integral part of ADP. Social Security numbers would serve as account numbers. If a person did not have a Social Security number, he would be given a number for this purpose.

Adoption of a numbering system for taxpayer accounts will raise its own problems for banks and others. One of the biggest will be the conversion of existing equipment to the new system. Account numbering would require 9-digit computers, while present bank equipment is geared to fewer digits. But the President had a point when he said: "A system of identifying taxpayer account numbers, which would make possible the bringing together of all tax data for any one particular taxpayer, is an essential part of such an improved collection and enforcement program."

If it proves to be as successful as the President hopes, there should be little or no need for mandatory tax withholding on dividends and interest.

"Truth in Lending"

Senator Paul Douglas (D., Ill.) and 21 co-sponsors have introduced again an interest disclosure bill. This

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ICA Urges More Firms to Export

MANUFACTURING firms that sell their products only domestically are losing potential profits, and, consequently, banks that have these firms as depositors are also missing a valuable source of income.

According to the Intercredit Agency, a private concern that insures exports, banks could do a great deal to help manufacturers, especially the small firms, get into the export business. With this idea in mind, the International Cooperation Administration has published a directive which will help bankers provide information for customers who are interested in selling abroad.

A manufacturer should be aware that doing business abroad is almost like doing business at home, the ICA states—it is mostly a matter of shipping a greater distance.

Secondly, a customer will probably ask about credit risks, which are actually less on export business than on domestic business. The exporter must pick his buyers, the ICA says, just as he does at home, and the U. S. Bureau of Foreign Commerce will help the manufacturer make his selection.

The Bureau will also provide a list of foreign customers to whom catalogs should be sent or personal contact made.

If a manufacturer feels that he needs an expert to help him get started, he can hire one on a commission basis. Such export managers are available to handle several noncompeting lines in the same class of goods, and the Bureau of Foreign Commerce will help locate him. The export manager will handle all export details.

Finally, if the manufacturer needs more credit than his local bank can furnish, the Export-Import Bank may be called in as a partner in the deal.

More detailed information can be had from the Office of Small Business, International Cooperation Administration, Washington 25, D. C.

"Why on earth would the First National Bank send *me* a present?"

Business Recovery and the Balance of Payments

Here are the highlights of remarks by Dr. Charls E. Walker at the Arkansas Bankers Convention

THE VIGOROUS recovery in domestic business activity that now appears to be underway makes it all the more important that this nation come to grips resolutely with its underlying balance of payments problem. Signs of a strong advance in economic activity are many and convincing. Among the most notable are the pronounced April increases in industrial production, business orders, personal income, and factory payrolls and employment. As is typical in recovery periods, unemployment is lagging behind other significant measures of business activity. However, if the over-all advance continues at its early pace, unemployment should, with allowance for seasonal factors, shrink markedly in coming months.

Thus there is every indication that the business slump which began about a year ago has been short-lived and, of primary significance, one of the mildest on record. Its brevity and mildness—along with the apparent strength of the recovery—give current testimony to the inherent strength and resiliency of our system of free economic choice.

A Cloud on the Horizon

While observing silver linings, however, we should not blind ourselves to the clouds. In this instance, the cloud that sobers our optimistic view of the domestic business scene is the balance of payments problem—that of bringing our total international receipts and payments into reasonable and sustainable relationship. During the past three years, the payments abroad of this nation's individuals, businesses, and Government have exceeded receipts by an annual average of between $3½- and $4-billion—adding up to an impressive and disturbing total, in the three-year span, of more than $11-billion. Although the outlook for 1961 is better—partly because of a larger margin between sales of goods and services abroad and purchases, and partly because of a diminution in the short-term capital outflow—the upsurge in domestic business activity that appears to be in prospect could serve to intensify our basic balance of payments problem.

Reason for Paradox

This disturbing paradox arises from two factors. First, our strong position on international current account (that is, the relationship between purchases and sales of goods and services abroad, other than military expenditures, which stood at $7-billion in our favor last year and apparently improved somewhat in the first quarter of 1961) has resulted primarily from the slackening in business activity in this country and the continuing boom in Western Europe and Japan. The boom abroad has intensified demand for our exports, thus increasing our current receipts; and the slump in this country has dampened our demand for imports, which has decreased our current payments. While the result has been a so-called "current account surplus" of truly impressive size, it is important to emphasize that this surplus is still $1.5-billion less than the total amount of dollars flowing abroad in 1960 in connection with "noncurrent" items, which include military expenditures, economic assistance, net private foreign investments, and individual remittances. Thus it is manifest that, if business activity expands in this country at a rapid pace, as it promises to do, our demand for foreign goods and services will rise; this will tend to shrink our current account surplus and thereby enlarge the basic balance of payments deficit. Moreover, while the boom abroad still shows no signs of abating, we cannot count on its continuing indefinitely. Any slackening in economic activity in Western Europe and Japan would, of course, tend to reduce the demand for American exports, dig further into our current account surplus, and add to the basic balance of payments deficit.

Another Important Force

But business recovery in the United States could well carry with it another force that may impair our capacity to maintain a surplus on current account sufficient to offset the large outpayments of dollars associated with other programs and activities. I refer to the pressing need for remaining competitive—and of increasing our competitiveness—with industry in Western Europe and Japan. It is incorrect to say that we have already priced ourselves out of world markets; our huge current surplus is positive proof to the contrary. But as we all know, business recovery, with expanding demand, sales, and profits, carries with it the seeds of rising costs and prices. If, in the impending recovery, we fail to keep our costs and prices in line with our foreign competitors, then we may indeed be in trouble. Such an eventuality would tend to price us out of international markets, thereby reducing our current account surplus and increasing the basic payments deficit. More importantly, a demonstration of inability

(CONTINUED ON PAGE 102)

Is Competition the Final Test in Bank Mergers?

There is disagreement among the Justice Department, Federal Reserve Board, Comptroller of the Currency, and FDIC; but the muddy water shows signs of clearing.

HERBERT BRATTER

THE U.S. District Court in Philadelphia has scheduled for early June the suit by the Justice Department to stop the Comptroller-approved merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank on the grounds that it violates the antitrust laws. The court's decision could have far-reaching effects, but it may be many months before it is known. Pending also is another Justice Department bank merger suit in Lexington, Ky.

Recent Developments

Since our survey of the bank merger scene in BANKING for April, there have been several developments. In March, Secretary of the Treasury Dillon, speaking for himself and Comptroller Gidney, wrote Attorney General Kennedy confirming their joint understanding. By that understanding, where the views of the Comptroller and the Antitrust Division conflict as to approval of a proposed bank merger and where the Justice Department would feel obliged to bring suit under the antitrust laws, the Comptroller's final official approval of the merger will be deferred. The understanding will remain in effect only so long as Messrs. Dillon, Gidney, and Kennedy continue to occupy their present positions. Moreover, the understanding is to be subject to review by not later than September 30 in the light of the circumstances then prevailing. The aim of the understanding is to avoid a proliferation of suits.

The Federal Reserve Board meanwhile continues to process bank mergers according to its interpretation of its duties under the 1960 law. In April it approved the merger of State Street Trust Company and Rockland-Atlas in Mr. Kennedy's home state; also the merger of Liberty Bank & Trust Company, Buffalo, and Erie County Trust Company, East Aurora, N.Y. The Board feels that its responsibility under the merger law is clear cut, but it would be interested in a court clarification of its duties. The fact that the Justice Department has a different kind of responsibility under the antitrust laws is fully appreciated at the Board.

The Boston merger, mentioned above, was opposed by Justice on the grounds that it would lessen competition. Although not disagreeing with Justice on this point, the Board's majority ruled that other considerations laid down in the 1960 act outweighed the competitive factor. The Board's stand, it is thought, may evoke criticism of the Dillon-Gidney-Kennedy understanding.

No Judicial Review

At the Investment Bankers' Association meeting in May Senator Estes Kefauver referred to the fact that the 1960 bank merger legislation made no provision for public hearings or judicial review in the event that the Attorney General or one of the banking agencies opposed a merger about to be approved by another of the agencies. The Senator also suggested amending the 1960 act to apply to banks the more stringent Clayton Act, Section 7, standards.

These three proposals were specifically and strongly rejected by the Senate, when in 1959 it defeated the O'Mahoney amendment by 55 to 29.

Representative Wright Patman (D., Tex.) in April introduced a joint resolution which, if enacted, would have the force of law. It would halt until 1965 all bank mergers, consolidations, and acquisitions excepting where necessary to keep a bank open. The resolution assumes that it "may take many months and even years to complete adjudication of the antitrust actions recently initiated." So long as no Senate counterpart of the Patman resolution is introduced, it will be given no formal Senate committee consideration unless passed by the House.

Merger Rate "High"

Mr. Patman considers the rate of bank mergers extremely high, with, "1,353 such mergers occurring during . . . 1935 to 1960." The accompanying table, based on FDIC data, shows bank absorptions, consolidations, and mergers and total banking offices in each year of the past decade.

In March Sen. Robertson, describing himself as the "patron" of the 1960 merger bill, spoke in the Senate on the proposed merger of Manufacturers Trust and Hanover and what he called "a million dollar bonus" to Manufacturers Trust's chairman. Sen. Robertson stated: "I have been a bit disturbed by the recent increase in the number of bank mergers and what would appear in some instances to be a basis of merger that, instead of promoting economy and efficiency in order that the banks may gradually reduce charges made to borrowers, they appear to be actually moving in the opposite direction."

Another recent development was

an address by former Indiana Congressman and Banking Committee member Joseph Barr, now assistant to the Secretary of the Treasury for Congressional matters and, according to a newspaper account, under serious consideration for the position of Comptroller of the Currency. Mr. Barr suggested that the wrong kinds of bank mergers have been approved since the 1960 law, not in accordance with what the Congress intended. The intention, he said, was that mergers should result in better service, not merely in bigger banks. A bank charter, he said, is the right to provide service, not to make money.

New York Plans Affected

Developments in New York State affect several bank merger plans. The Banking Board in April disapproved Bankers Trust Company's plan to create a holding company with County Trust Company, White Plains, on the grounds that the resultant consolidation of assets would exceed the limits of effective competition. Banking Superintendent Clark held that, if the proposed merger of First National City and the National Bank of Westchester also went through, 75% of Westchester's banking assets would be in two institutions. The First National City's proposal, which comes before the Comptroller, may be affected by the Dillon understanding with Justice. But the Banking Board's April decision may not augur well for the plans of Morgan Guaranty Trust for a statewide holding company or for the proposed merger of Manufacturers Trust and Hanover.

At the April annual meeting of the Independent Bankers Association, President O. D. Hansen cited the record of bank mergers since the 1960 law, saying: "I believe the record speaks for itself. Either we need tighter enforcement of the so-called merger control law, or we need stronger legislation." He described as "a ray of hope" the Justice Department's stepped-up activities.

No Sign of "Agreement"

While the Attorney General in a press conference expressed the intention to obtain from FDIC and the Federal Reserve Board understandings similar to that with Sec. Dillon described above, no such move has come to our attention.

The FDIC, like the Board, is continuing to consider merger applications just as it has been all along and, like the Board, shows no sign of entering into a "moratorium" agreement with Justice.

At the heart of the confusing bank merger scene is the matter of competition. To banks "competition" calls to mind their rivals for loans and deposits: other banks, savings and loan associations, credit unions, life insurance companies, finance companies, factors, and the like. Others are concerned not only with competition for banking's sake, but for the sake of borrowers. These, it is held, should, wherever possible, have a choice of banks. In the Senate debate on the 1960 bill—which was in the form of an amendment to the Federal Deposit Insurance Act—to require Federal approval for mergers and consolidations of insured banks, there was considerable discussion of the competitive factors as compared with other factors to be taken into account by the supervisory agencies when deciding upon a merger. The debate appears in the *Congressional Record* for May 6, pp. 9009-13, and May 9, 1960, p. 9088.

The law mentions competition as one of the factors to be considered in the approval of a bank merger, but not necessarily the decisive one. What is decisive is that the proposed merger must be found to be in the public interest. No single factor is controlling. Sen. Fulbright, with the later public endorsement of his views by Sen. Robertson, chairman of the Banking and Currency Committee, explained that House and Senate were in agreement that bank mergers should be controlled on the basis of both banking and competitive factors "and that Section 7 of the Clayton Act should continue to be inapplicable to bank mergers."

The Facts of Strife

Sen. Fulbright added: "Competition in banking is desirable and beneficial, but unrestricted competition in banking, with the bank failures which would result, is no more possible than it is in the field of public utilities. . . . Banking is too important to depositors, to borrowers, to the Government, and the public generally, to permit unregulated and unrestricted competition in that field." The Senator stressed the fact that banking is regulated in many respects and that the antitrust laws have reflected an awareness of this.

The record shows that the Congress was aware of the fact that banks meet not only local competition, but often regional and national competition. Sen. Robertson pointed out that a Federal banking agency in considering a merger application "would certainly give due regard to adequate accommodation of the growing capital requirements of an expanding economy in the community, . . . area . . . and country generally." It would also give consideration, he added, to the competition banks face from other financial institutions as well as from other banks—"all competition."

The Treasury, Sec. Dillon states, has no intention to seek a tightening of the existing bank merger law. Once the issue has been decided by the courts, he added, "all of us will be satisfied to live under the law as it is."

The first step toward that decision is being taken at Philadelphia this month.

Bank mergers and number of banking offices in continental U.S. and other areas, 1951-1960

Year	*Number of absorptions, consolidations, and mergers, voluntary and involuntary*	*December 31* *Number of banks*	*Number of branches*
1951	81	14,661	5,494
1952	101	14,617	5,883
1953	116	14,552	6,227
1954	208	14,409	6,751
1955	232	14,284	7,391
1956	189	14,208	8,106
1957	161	14,130	8,777
1958	153	14,060	9,493
1959	169	14,004	10,238
1960	133	13,999	11,106

SOURCE: FDIC.

BETTER METHODS & SYSTEMS

Here are a few operating ideas culled from the recent regional conference conducted at Cincinnati by NABAC, The Association for Bank Audit, Control and Operation.

Instalment Loan Accounting

BETTER systems are needed to handle instalment loan paper work, and they can best be developed with the use of electronic data processing equipment, in the opinion of William G. Milburn, assistant vice-president, Mellon National Bank and Trust Company, Pittsburgh.

Outlining a system for instalment accounting, he asserted that any method must start with a source document which gives all the accounting information concerning the loan. If possible this billing sheet should be a by-product of the loan application and closing, rather than a separately prepared document.

"From this sheet the source data are punched into cards, with the usual listing and calling, or key verifying, taking place to insure the accuracy of the punching. The cards are then fed into a computer which performs various audit tests which formerly were made by hand calculator. The computer checks for the same things you would if you were going over the loan as an auditor."

Fast!

How rapidly does a computer do this job? At Mellon, with the number of tests the bank makes, it takes about 15 minutes for 250-300 loans, Mr. Milburn reported. "If the computer says the loan is all right, coupon books—which consist of punched cards—are prepared and forwarded to the customer and the balance card is put into the active file. If the computer finds a discrepancy, it punches an error card and the billing sheet is referred to the office of program for correction."

Punched Card Advantages

Among the advantages of the punched card method of processing Mr. Milburn noted: "It is an automated system which gives what is expected for automation—speed and efficiency. A major asset in a random access system is that it does away with card files and, therefore, card handling, which is time-consuming and expensive."

As this banker sees it, "the disc storage method of processing has one major drawback which we will have to face eventually in all phases of automation. We are storing information in the machine which cannot be read visibly, as a punched card or a ledger card can be read, and we are depending on mechanical methods to make this information available.

"We all know that mechanical failures occur from time to time. How we get information when this occurs is a question to which I do not have the answer, but it is one that requires our serious consideration and a prompt solution."

What Next?

The next major breakthrough in instalment loan processing, Mr. Milburn predicted, will probably be a totally integrated data processing system at speeds vastly greater than are now available, which will utilize magnetic characters on input source with magnetic tape storage for records.

That Automated Future

SUGGESTIONS for steps the smaller bank should take in preparing for the automated future are indeed plentiful these days, but perhaps they can hardly be too numerous.

Denton Fuller, president of The Liberty Trust Company, Cumberland, Md., told the NABACers at Cincinnati the basic things a bank must do, from preparing a work flow chart to studying the bank's architecture with an eye to square footage and load-bearing ability. He outlined a minimal checklist for use where the systems analysis program dictated equipment upgrading for certain areas.

The Minimum

"What are the major items that a small or moderate size bank can economically justify?" he asked. Here's the minimum: Bookkeeping machine ('tronic or conventional) depending upon the number of deposit accounts. Proof machine. Teller's machine. Multiple duty accounting machine. Microfilm.

"Unless bankers exercise sound judgment in the acquisition of equipment, financial and operational difficulties could result," Mr. Fuller said. "If a bank streamlines its accounting and operating procedures, it can, in many instances, accomplish with present conventional equipment 50% to 75% of the benefits to be derived from more advanced automation."

"Size of bank only," he said, "will dictate the degree of automation required. Intelligent and progressive thinking in this area is a must for every banker."

Despite the inevitable conversion problems, Mr. Fuller asserted, "automation has clearly demonstrated that it will work and reduce costs."

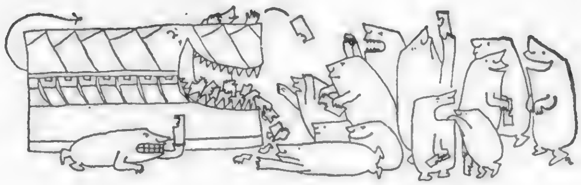
Smiles Instead of Close-outs

FIDELITY-PHILADELPHIA Trust Company, seeking the customer's smile rather than his threat to close the account when checks come back mutilated by electronic sorting (a few of 'em do, the bank says), created "Temperamental Mr. Sort." This saw-toothed monster, as you see, dotes on munching checks fed to him.

Customers whose items show evidence of his nibbling receive them in a small folder bearing a cartoon of Mr. S., with an apology below, and the bank's name.

The fold to hold the returned checks comes just above the apology

Temperamental "Mr. Sort"...



... has embarrassed us by nibbling on your check. Please accept our sincere apologies for the behavior of our new automatic check sorter.

F-P says the customers will be thus served "while engineers seek a break-through that will eliminate 'Mr. Sort's destructive ways. . . .'"

Planning to Build or Remodel?

IF you're planning to remodel the old bank or build a new one, a few observations by a Colorado banker may prove helpful. He's Howard L. Bauder, vice-president, Pueblo Savings and Trust Company, and he offered his suggestions at NABAC's conference.

When a building program is being planned, he said, the operating man has an excellent opportunity to clean house. Study your present work-flow and decide whether you're doing the best possible job. Are some practices dictated by the present quarters? Take a fresh look at operations, and tidy them up. Put the high activity tellers next the door. Use showmanship in setting off the bank's departments.

Plan teller operations for easy access to records. Allow for expansion without major structural changes. Provide flexibility to cover peaks and valleys. Plan exits and entrances, parking lot control, flow of traffic in the lot.

For the Kids

"Several banks have become aware of the importance of the children," Mr. Bauder asserted. He suggested "separate department for the youngsters. And a community room is a good feature, too."

The central group charged with responsibility for the building program can get valuable help from others. "You will be surprised at the keen analysis Susie, the bookkeeper, may have of a problem in the bookkeeping department." Mr. Bauder advocated keeping the staff up to date on the plans and progress. He also recommended hiring the best available architect.

Banks and New Equipment

Electronic Check-Document Processing at Valley N. B.

"THE 20th Century's first electronic system providing completely automated processing of all bank items" was introduced by Walter R. Bimson, chairman of the Valley National Bank, Phoenix, at ceremonies attended by state and city officials.

Delivery in May of a GE-210 computer system, supplemented by the ITT equipment previously in operation, will give the bank not only check-handling but proof and transit operations electrically performed, Mr. Bimson said. The ITT system was called "the first in the world" capable of completely automated handling of both "on-us" and transit items.

The equipment has been installed in the bank's 32,000-square foot operation center in Phoenix. It will be in full operation later this year.

First New Haven Plans a Data Center

THE First New Haven National Bank, New Haven, Conn., is planning a data processing center for its new headquarters building. Transit and demand deposit systems equipment (Burroughs B-270) has been ordered and will be installed over a period of 23 months, beginning next October.

Wilmington Trust Has New Data Center

WILMINGTON (Del.) Trust Company opened its new electronic data processing center with ceremonies that included a luncheon attended by industrialists and bankers from the area and neighboring states. The bank's 7070 computer system has been programed to process checking and savings deposit accounting and commercial and consumer loan operations. Trust operations are scheduled for automation soon, also many other general accounting jobs.

The staff was developed from the bank's own organization; no "experts" were imported. Plans for rental of time at the center have been accepted by nearby companies.

Lobby Demonstration Seen by Crowds in St. Louis

APPROXIMATELY 35,000 people saw a preview demonstration of a check reader-sorter in the lobby of Mercantile Trust Company, St. Louis. It's part of a complete data processing system being prepared for the bank.

8 Ways to Win the Savings Competition

After examining the shifts in consumer savings and the competition in savings promotion, commercial bankers make some recommendations on what to do about it.

EDWARD F. THOMAS

BANKS are winning and losing at the same time in the crucial scramble for consumer savings. They are enjoying increased savings deposits but are losing their once-commanding share of the savings market at a time when people are saving more than ever before.

What's wrong?

As bankers look at the shifts in savings, and study their efforts to get more consumer deposits, they can see some weak spots that need fixing if banks are to retain their savings leadership.

Savings and loan associations are gaining larger shares of the savings market every year as commercial and mutual savings decline in their rate of increase of the new savings.

In the 15 years after World War II, 1945-1960, the growth of savings in commercial banks was 110%, mutual savings banks 128%, and savings and loans 641%.

In the same postwar years the savings in mutual investment funds went up 661%, pension funds 826%, and credit unions 1,003%.

Less than 10 years ago the mutual savings banks held more deposits than the savings and loan associations. At the end of 1960 the mutual savings banks had $36.4-billion, while savings and loans had $62.2-billion.

Commercial banks, leaders in savings for years, saw savings and loan associations move up to where they now hold as much total savings as commercial banks had a year ago, running ahead of banks in new savings today, and they will assume the leading position this year.

Commercial bank savings over the past year moved from $62.7-billion to $67.5-billion, while savings and loans increased from $54.5-billion to $62.2-billion—gains of $4.8-billion for the banks and $7.7-billion for the savings and loans.

MR. THOMAS *is president of Edward Thomas Associates, Inc., New York public relations firm.*

Interest as a Factor

Some bankers consider the higher rate of return paid by the savings and loans an almost impossible competitive advantage in attracting savings. There can be no question, of course, that the lower interest rates offered by the banks are a handicap.

Commercial banks, for example, are seeking "tax equality" in their efforts to bring about a more competitive rate of return among all three financial institutions.

There is also a growing move to encourage more commercial banks to lift their present interest rates to the maximum allowed. Others are working out new approaches of offering daily interest from the date of deposit, and a variety of other new methods of computing interest to attract savers.

Those who blame all the bank savings troubles on interest rates, however, run into a surprise in Connecticut. In that state the mutual savings banks pay an average higher rate of return than the savings and loan associations, yet the latter are still running ahead at a faster rate in growth of savings.

There is plenty of evidence to show bankers that a major reason why banks have fallen behind in the competition for savings is that they are not doing as much as savings and loans to promote consumer deposits.

On the national level, for example, the Savings & Loan Foundation is sponsoring a $2,000,000 advertising program this year. It is supported by 1,900 local associations giving an average of $1,000 each.

A national advertising campaign is carried on by the Foundation for Commercial Banks to sell savings along with the other "full services." Some 6,500 commercial banks are contributing about $650,000 for this

Growth of Savings, 1945-1960

Commercial banks	**110%**
Mutual savings banks	**128%**
S&Ls	**641%**
Mutual investment funds	**661%**
Pension funds	**826%**
Credit unions	**1,003%**

Promotion Costs at Local Level in 1960 and Year's Savings Increases

	Total local promotion cost	Cost per institution	Savings increase	Increase per promotion dollar
Commercial banks	$42.5-million	$4,000	$4.8-billion	$112.94
Mutual savings	17-million		1.5-billion	88.23
S&Ls	78.5-million	12,600	7.7-billion	98.09

program—an average of $100 each.

Competition for the savings dollar comes from other directions, too. The New York Stock Exchange spends nearly $1,500,000 a year on national advertising, and the Institute of Life Insurance spends about the same amount. In addition, there are salesmen for mutual funds and brokerage houses calling at homes throughout the country by day, evenings, and weekends, constantly soliciting savings as investments.

At the Local Level

On the local community level, it is estimated that the commercial banks spent about $42,500,000 last year for savings advertising, and mutual savings about $17,000,000—a total of $59,000,000, or an average of $4,000 per bank for local savings promotion.

At the same time, the savings and loan associations spent $78,500,000 on local promotion—an average of $12,600 per association.

On the basis of total dollars spent on national and local market promotion, therefore, the savings and loan associations are doing a bigger job than the banks.

What about results? Who is doing a *better* job in promotion?

It would be impossible, of course, to review the local savings promotion of all the banks and savings and loans to evaluate their comparative effectiveness.

There is a rule-of-thumb test, however, to give a measure of which group is getting better over-all results from its promotion. That is, take the amount spent locally by each group last year and relate it to the amount of their increased savings.

Last year the mutual savings banks spent $17,000,000 on local advertising, and their savings deposits increased $1.5-billion. Commercial banks spent $42,500,000 and savings went up $4.8-billion. Savings and loan associations spent $78,500,000 locally and gained $7.7-billion.

Translating these results into the amount of savings brought in for each dollar spent on local promotion reveals the following:

Commercial banks .	$112.94
Savings and loans . .	98.09
Mutual savings banks	88.23

It would be foolish, indeed, to conclude that sheer weight of dollars spent to promote savings will alone balance the scales. It is a major factor but not the only one. More money is spent on local promotion by the average mutual savings bank, for example, yet the other two categories gained more new savings.

Avoid Generalizations

Nor should we jump to the conclusion from these figures that the local promotion of mutual savings is not as good as that for competing institutions. Each bank or association handles its promotion differently, presents its own image and themes, and varies in the approach to the public. No generalization can be made, therefore, to apply to any single group of financial institutions.

Nevertheless, it is clear that there is a wide difference in the effectiveness and impact of the promotion—both in the amount spent and the results achieved.

The Bankers' Own Views

To get behind-the-scenes in these shifts in the competition for savings and the promotion battle, my firm recently conducted a survey of the country's largest commercial banks to get facts and views directly from the bankers themselves.

Among their findings were these:

(1) Thirty-six percent have a full-time officer assigned to savings, while 64% do not.

(2) Less than 15% have a manager in charge of savings promotion.

(3) While 82% report savings higher than a year ago, 36% will spend more on promotion this year, 38% the same, and 7% less.

(4) Most banks rate savings and loan associations the leading competitor for savings. Credit unions are listed next, and mutual savings and other commercial banks about equal.

(5) One-third of the bankers reported their managements' interest in savings as "moderate" or "lukewarm," while the others indicated "enthusiastic."

After delineating many of the faults in promoting bank savings, the responding bankers offered a long list of suggestions for improvements. Following is a summary of their recommendations, boiled down to eight steps:

The Bankers' 8 Points

- **Promotion must be more aggressive, imaginative, and consistent.**
- **Savings should be promoted as part of the one-stop, full-service facilities, and there should be cross-selling in the bank to tie in with other services that are offered.**
- **Employees of the bank should be trained to sell savings constantly, and contests and other incentives should be offered to stimulate their sales efforts.**
- **Aim promotion at specific publics with special-purpose goals for savings. Too much advertising and selling is wasted on general, abstract, and unrealistic interest competition appeals.**

(CONTINUED ON PAGE 116)

WORLD BUSINESS

HEARINGS ON INTERNATIONAL EXCHANGE and payments will be held in June by the Joint Economic Committee's new subcommittee (Con. Henry S. Reuss, chairman). We still lack clear realization of effects and worth of our international economic policies. Nowhere is this clearer than in . . .

. . . IBRD PRESIDENT EUGENE BLACK'S SPEECH *at UN. The World Banker doubts whether foreign aid plus local savings will lastingly benefit the underdeveloped countries, while population booms uncontrolled.*

"POPULATION GROWTH THREATENS TO NULLIFY all our efforts to raise living standards in many poorer countries," says Black. India's increased urban housing alone in 30 years will need $25-billion,—over four times all that the World Bank has lent in all countries in its 15 years. This speech constitutes . . .

. . . AN EXCELLENT CASE FOR FUTILITY *of the World Bank, International Finance Corporation, International Development Fund, Inter-American Development Bank, Development Loan Fund, and other development agencies.*

OUR BIGGEST INTERNATIONAL economic problem today is the payments balance, Secretary Dillon holds. While first-quarter improvement was substantial, "the long-term problem has not yet been solved." The solution remains "a major national objective."

DILLON'S TAX TESTIMONY *spelled out proposals affecting American business and individuals abroad, both for balance-of-payments and equity reasons. Americans in underdeveloped lands would be favored. Preferential treatment of shares in foreign investment companies would be ended. Dillon would tax earnings—now exempt —of thousands of Americans working in developed countries.*

TO HELP NATIONAL BANK BRANCHES ABROAD Sen. Robertson introduced S.1771 on May 3. It is believed to have a chance of enactment. This proposition —which as part of the Financial Institutions Act once passed the Senate—would enable such branches to compete more effectively with local, non-U.S. banks.

MORE AMERICAN BRANCH PLANTS *of foreign firms are recommended by Governor Rockefeller, who spoke at the Fifth U.S. World Trade Fair in New York in May. His idea was seconded by Economic Assistant Secretary of State E.M. Martin as a way to reduce friction over import competition.*

GROWING TENDENCY to shun foreign goods in U.S. Government buying is reported by the *Journal of Commerce*. "Buy American" is being applied to goods for use both here and overseas.

CONTINUOUS DECLINE *in buying power of currencies has become commonplace in most of the world. First National City's May letter shows the shrinkages of 43 monies in the 1950s. Major Latin American units showed the world's worst performances. U.S., Canadian, German, and Belgian units—the better performers—will lose another half of their value in 33 years, at present trends. Seven units, including Swiss franc, have shrunk less than the dollar.*

THE FED'S VIEWS ON THE OECD were filed with the Joint Economic Committee and recently published. FRB "understands" that the OECD convention won't affect the Fed's independence of judgment or action in monetary policy. As the Administration has explained, OECD will seek to coordinate monetary policies of the 20 members.

FOUR JAPANESE BANKS *each increased deposits by over 100-billion yen ($278,000,000) in 1960, the Fuji Bank, Ltd., reports. Analysis of the 1960 trends is available from its New York agency.*

INTEREST PAID to foreign central banks on U.S. Government securities is now tax-exempt. Another Kennedy balance-of-payments proposal—to allow banks to pay higher interest rates on foreign official deposits than is permitted domestically—has been introduced in the Senate (S.1413). Hearings are contemplated.

WORLD BANK'S 50,000,000 GUILDER *2-year 4½% bond issue is its third public offering in the Netherlands Dutch bank syndicate headed by Netherlands Trading Society.*

NEW MEANS OF STABILIZING foreign exchange are being used. By a series of bilateral understandings reached in Basel at the BIS, central banks in Europe are prepared to stockpile each other's currencies to counteract hot money movements, where basic conditions are otherwise sound. U.S. Treasury took some of the German debt payment in Deutschemarks, to hold temporarily for similar use.

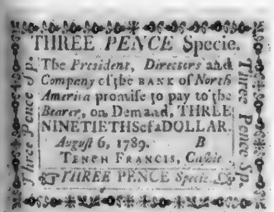
U.S. EXCHANGE STABILIZATION FUND, *created with the 1934 devaluation, has been used to stabilize foreign currencies rather than the dollar.*

STRENGTHENING OF THE WORLD FUND is being sought in Washington and abroad. One plan, reversing IMF's normal procedure, would give the Fund drawing rights on members. Various ideas are being readied for the September meeting in Vienna.

Money on Parade

DR. V. CLAIN-STEFANELLI
Curator, Division of Numismatics
Smithsonian Institution

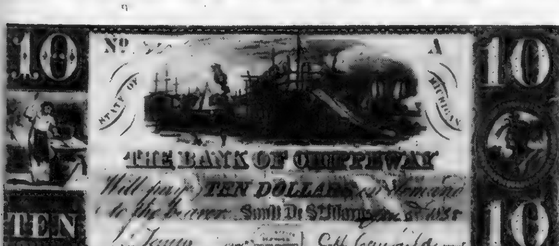
THE evolution of money, from primitive barter to our modern monetary system, is displayed in the Smithsonian Institution's recently opened Hall of Monetary History. In this brief tour through the exhibits we stop at only a few of the 19 cases arranged in sequence to show the significant historical steps. The displays give special emphasis to the development of various forms of money in North America as our nation grew.



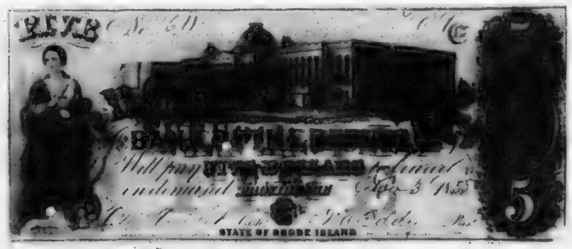
The first banking institutions that could be called national banks were the Bank of Pennsylvania (1780) and the Bank of North America (1782). Illustrated here is a sample of the kind of paper money that helped to finance Washington's armies—the denomination indicates the extent of the use of paper money. The founding of the second Bank of the United States (1817) helped

to provide stable currency. Notes, such as the one above, were acceptable because the suspension of gold and silver payments was prohibited. Many unsound banks had to close.

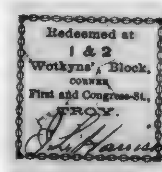
But after the charter of the Bank of the United States expired (1836), state banks again emerged. Their numbers multiplied and, ignoring sound banking practices, many of them issued worthless paper. The Bank of Chip-



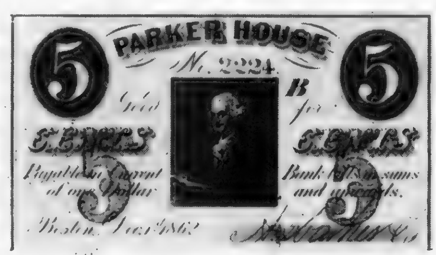
peway was one of many such banks. The rapid rise and disappearance of such "wildcat" banks left the country struggling with some 7,000 notes of different design, about half of them fraudulent. The worthless notes of closed banks were called "broken bank bills." Pictured here is a beautiful but worthless broken bank note.



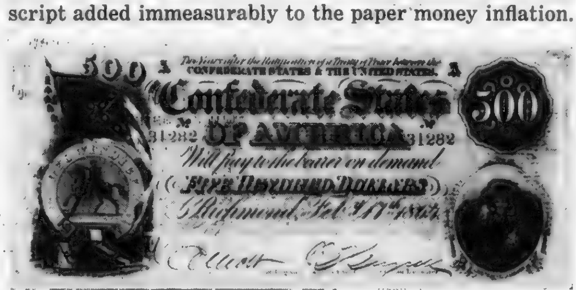
The need to finance the Civil War forced Congress to add to the tide of paper by issuing fiat money. This helped to drive metallic currency out of circulation, including coins of small denominations. Local merchants substituted cardboard tokens as a device to meet the emergency. Here are both sides of a 1-cent token issued by Harrison's to solve the small-coin problem.



Also circulated were somewhat larger and often more elaborate notes called "shinplasters." An example of that is the 5-cent note of Parker House which could be redeemed in "current bank bills in sums of one dollar and upwards." While tokens and shinplasters met local needs, they didn't provide the solution to the real job of building public confidence in the money that was printed to meet the emergency.



Lacking adequate taxation, the Confederate Government also issued large amounts of paper money which depreciated rapidly. By the end of the war, about $1-billion in notes were in circulation. State issues and local script added immeasurably to the paper money inflation.



.... Trends in Mortgage

THEODORE VOLCKHAUSEN

Changing Demand for Housing

For the next five years demand for new middle income housing will continue the decline which became so apparent during the past year. The heavy stress placed on this type of construction since the war has absorbed the major portion of existing demand. Also, as has been reiterated by economist after economist, there will be fewer people in the 30 to 50 age bracket in the five years ahead.

The greatest population growth will occur in the young, new families and in the retired population. This is interpreted as meaning that the era of mushrooming suburbs is over for the time being. **Home construction will be concentrated in cities and small towns.**

National Mortgage Conference

These were among the conclusions reached at the First National Mortgage Conference of the A.B.A., held in Washington last month. The consensus was that, after the present slump, **demand will start to climb again, but it will be for housing of a different nature.**

New Mass Market

The mass market will be more among low-income families, retirees, and minority groups. This will markedly increase the need for mortgage money in many smaller centers where it is already scarce.

More Mortgage Funds Needed

On the premise that the demand for mortgage money is to be sustained at high levels (even though it is for a different type of construction) additional funds must be sought. Many see in the **pension funds and welfare funds the biggest source for such expansion.**

Attitude of Pension Funds

Some of the bank trusteed pension funds have begun to make important investments in the mortgage market; say they like it because it brings them a comparably high return while the amortization of principal not only increases the equity, but provides a steady flow of money for new investment opportunities.

Actually, for every speaker who predicts that pension funds will become ever more important factors in the mortgage market there is another, equally familiar with the situation, who holds that their large-scale participation will be a long time coming. **But progress, whether it be slow or fast, is being made.**

State and national governmental authorities are seeking ways in which these funds can be persuaded to invest more money in the mortgage market. A.B.A.'s proposal to create a national market for conventional loans will, when it is worked out, make it easier and more practical for pension funds to buy mortgages.

For a Successful Mortgage Operation

Just as at the regional conferences, it was emphasized at the national meeting that commercial banks entering the field of originating, selling, and servicing mortgages must keep in mind, first and foremost, that **it is not possible to operate effectively and profitably unless management intends to set that operation on as important a level as other types of loan operations and run it on a continuous basis.**

Also important is the requirement that the bank be in an area where an adequate demand for mortgages can be maintained. If it is not so located it may find its best means of engaging in the mortgage field lies in **purchasing mortgages in other areas.** This is done in certain sections of the country—for instance, some of the coal mining areas. Emphasized, too, was that a bank, to be a real factor in the mortgage business, **must make construction loans.**

Lending

Editor, *Bankers Research*, a newsletter

How Banks Can Benefit

If these requirements are met, an institution will derive many benefits from its participation in the mortgage market. A.B.A. President Carl A. Bimson outlined how **mortgage lending can be an effective and inexpensive form of advertising,** as well as a profitable operation in itself. The bank which provides managing officers and employees of new businesses in the area with mortgage financing is in the best position to obtain these important commercial accounts and the accounts of the personnel.

Developing a National Market

One of the principal purposes of the conference in Washington was to discuss methods of developing a national secondary market for conventional loans. Dr. Kurt F. Flexner stated that **such a program is taking shape**—that proposals call for the setting up of two privately financed corporations under Federal charter; one to insure and guarantee conventional mortgages and the other, along the lines of FNMA, to buy and sell such guaranteed loans.

It was stated by several speakers that the **FHA home loan seems likely to decline in popularity in relation to the conventional mortgage.** The latter usually enjoys a decided yield advantage.

The 40-Year Mortgage

Perhaps the most controversial subject discussed was the proposed 40-year mortgage. Senator John Sparkman and Congressman Albert Rains defended the program on the basis that **it is the only way now in sight to lower materially the monthly payments for a section of the population which has been unable to afford to buy a modern home.**

Its Defenders

Rep. Rains said **risks are being exaggerated** and that, if adequate measures are taken to prevent neighborhood decay, there will not be any excessive decline in value. He and Sen. Sparkman pointed out that the vast majority of all mortgage loans are paid off before maturity. The Senator added that, rather than oppose the proposal, it would be better to go along with it since it is only experimental—providing for about 60,000 housing units.

Its Opponents

As stated last month in these pages, most bankers and mortgage bankers oppose the idea on the basis of **lack of owner equity.** It was stated that a mortgagor trying to sell his home at the end of 10 years could find that **his mortgage obligation was considerably more than the value of the home.** This might well be an invitation for him to default; in fact, it might be necessary to default.

Urban Renewal

Urban renewal was a widely discussed topic at this and other mortgage meetings. Bankers were told that, in areas where urban renewal is scheduled, **participation in such projects is a valuable service to the community and to the banks.** Even the smaller bank, which might find it impractical to participate, will benefit by keeping on top of changes to come for **these will affect values on all real estate in surrounding areas.**

FHA intends to play a larger role in urban renewal. The agency believes that a good proportion of the financing which has gone into new developments and which has been backed by FHA insurance, may now, with benefit to the economy, be diverted to renewal projects.

The Right Size Branch

The "giant" size isn't always the "economy" size. Here are some down to earth criteria for measuring the size of a branch building in terms of your own needs.

Attractive, inexpensive, simple, *and successful*—Interchange office of Tri-County State Bank, Bowmanstown, Pa.

SPENCER WEART

A BRANCH bank is like a restaurant —its capacity should be gauged to its patronage. No one likes to dine in an empty restaurant ("There must be something wrong with it or more people would eat here"). An empty bank is just as bad in connotation.

In some metropolitan centers as well as in outlying points, there are branches where passersby habitually see the lobby empty except for idle tellers. Some of these branches may survive, as their neighborhoods grow.

For future gains many a larger bank is willing to take calculated risks in fixed overhead additions that might well founder a smaller bank. But even the largest bank suffers some loss in prestige as well as capital if it must close a branch. In many cases, the branch would not need to be closed if the desire for grandeur or some other miscalculation had made it smaller originally. So—how big a branch?

Is Appearance Important?

A great many opinion research surveys now have been conducted by all sizes and types of banks. In these surveys the dominant reason by far for the public's selection of a bank has been "convenience," by which is always meant convenience of location. The next group of factors, well below "convenience" in importance, has been the intangibles which are independent of location: friendliness of officers and tellers; recommendations of friends; habit; etc.

At a still lower point the factor of appearance enters. No survey seems to have been made to determine just what is meant by "appearance," but it is not at all certain that a monumental building necessarily is one which attracts all possible types of depositors.

A Possible Drawback

In a farming community or a workman neighborhood, an imposing front and grand decor might well make the lower-income potential customer feel uncomfortable and not important enough to bother such big people with his little account. On the other hand, where competition has impressive branches in upper-class retail or similar neighborhoods there is little that can be done except to meet the competition with equal amounts of plate glass and marble.

A better definition of "appearance" might well be "see-ability"—the ability of a bank to intrude itself on the passerby, whether or not he is consciously noticing the building. To this day, especially in smaller towns, banks can be spotted by looking along Main Street for an overhanging or sidewalk clock.

Even in the reserved and austere banking world of several generations ago there was felt to be a need to make the bank's location known, to select the most prominent possible corner. The new main office of Chase Manhattan Bank, with its huge building and plaza, is an example of the desire and necessity of getting prominence of appearance in the extremely difficult lower Manhattan territory.

In some regions, a very modest expenditure can create distinction; in others, as where the branch is merely one of a row of stores in a shopping center, the problem is difficult. Some thought must be given to the neighborhood—a Colonial style bank among contemporary design houses and stores is an anachronism, and vice versa, but the blending of the bank unobtrusively into the background must be avoided at all costs. Better a comment-arousing modern design building among the clapboarded Revolutionary homes, than just another clapboarded building which needs careful inspection to make sure it is a bank and not an antique shop.

Cost Is No Yardstick

Appearance does not necessarily mean heavy investment in expanses of plate glass and vistas of imported marble. Prominence of appearance often can be obtained with concrete block construction and careful landscaping. While depreciation of building and equipment is usually not a large item of operating expense, an imposing building seems to compel imposing operating costs.

Management abhors a vacuum and tends to fill it with unessential personnel and equipment, all of which are expensive. There is a place for luxurious appearance—to compete with nearby imposing structures, or to offset an antiquated set of old branches or main office. But in most places the all-essential "see-ability" can be had for lower outlays than are usually incurred.

In Great Britain and Canada there

are only a handful of banking companies in the entire countries. The mere sign of one of these banks over what is literally a "hole-in-the-wall" may suffice because of the enormous built-in acceptance of the big name. In this country there are few such fortunate banks. Most of them need more than just the sign with the magic name.

Consider Conversion

Most new branch banks are erected with no thought to possible need for conversion to other use some day. Yet there are numerous instances where stores have been converted by interior curtain wall demolition and front face-lifting into imposing structures apparently designed solely as banks. There is no reason why the reverse cannot be done equally well, and a bank built which lends itself to conversion into a store.

The day may come when the board of directors will be delighted to find that a foresighted president has provided a branch building readily sold when no longer needed because of changing trading districts or other reasons. These remarks apply more forcefully to branches than to main offices, but in this period of mergers even a main office cannot be certain of always being wanted at its present spot.

An Advantage in Renting

One way to insure that the building will be convertible is to lease instead of build, as the owner will either want a lease of prohibitive duration, or a building usable for other purposes. Since most banks have funds available for fixed assets, there is a tendency to build instead of lease, and ownership ordinarily is the cheaper method. But the intangibles of forcing a convertible design, of preserving liquidity, and of tending toward less elaborateness, all strongly favor renting for all but the most major of branches or for main offices.

Even where the building is not costly, the equipment may tend in this undesirable direction. While an impressive vault door may be good advertising, it is very expensive advertising unless a substantial safe deposit business is anticipated, and unless the branch's location is more than ordinarily secure for years ahead. It has never been shown in any survey that customers demand to see the vault in which their money presumably is to be safely lodged. Many modest branches are better equipped with only a cash chest.

One small but attractive and successful branch was recently completely equipped with cash chest, drive-in window, counters, etc., largely second-hand, in rented quarters, for a total over-all cost of $6,000. While admittedly this must be about a bed-rock minimum, it is difficult to see how the customers would have been more impressed if the expenditure had been a more normal $30,000.

Analyze the Potential

Each branch is really a problem in itself, and best analyzed on its own merits to determine the break-even point. The first requirement is determination of deposit potential available to the proposed branch within its natural territory. The amount of new, not transferred, deposits likely to be actually secured during the first several years then can be estimated. Since the average rate of gross earnings available on these deposits is known, the total gross earnings can be computed, using the average deposit balance expected during the year. For the first year this balance will of course be only one-half of the expected year-end figure.

A Checklist for Profits

AVERAGE DEPOSITS:

Demand:
- Personal ....
- Business ....
- Government ....
- Other ....

Time ....
Total ....
Less: Reserves ....

GROSS INCOME @ ______ % ......

OPERATING EXPENSE:

Personnel Expense:
- Branch manager ....
- Tellers and other ....

Building Expense:
- Rent ....
- Depreciation or Amortization .
- Taxes ....
- Janitor Service ....
- Heat, light, and water ....
- Repairs ....

Other Expense:
- Insurance—fire, etc. ....
- Fidelity bond ....
- Examination expense ....
- Depreciation on equipment ....
- Telephone ....
- Automobile travel ....
- Advertising and promotion ...
- Stationery and supplies ......
- Social security, etc. ....
- Miscellaneous ....

Total Operating Expense ....

DEPOSIT EXPENSE:

Interest on savings @ ______ % .
FDIC premium ....
Total ....

TOTAL EXPENSE

NET PROFIT BEFORE TAXES

Estimate the Costs

After deduction of operating expenses, of which the principal item will be personnel salaries, it is necessary to deduct those items of expense, principally interest on time deposits and FDIC premiums, which fluctuate with deposit volume. Virtually all expenses other than these last two are more or less fixed. The difference between the expense total and gross earnings is the branch's operating earnings. A form is shown which can be used as a checklist to make sure that all items have been covered. There are more elaborate methods of computing branch profits, but this simple procedure will suffice in most cases.

It is usually best to stop at this point, and not to allocate any main office overhead to the new branch, as in practice distribution of headquarters expense over a larger base will merely reduce costs elsewhere proportionately. The only exception is if the branch necessitates an increase, for example in bookkeeping forces at the main office, in which case it is proper to make the additional marginal charge directly to the branch for break-even computation purposes.

That Break-Even Point

It will be found that few commercial bank branches break even below the level of $1,000,000 in demand deposits, and few savings branches below the level of $3,000,000. Branches with expensive central business district rentals, or with elaborate establishments, of course go much higher, often many times these figures. Since the objective of banks is to be profitable, tailoring a branch's size to the minimum that will serve its territory is the surest way to make it show a profit quickly.

MICR:

What's in It for Smaller Banks?

A visit to the New York Fed shows that magnetic ink character recognition is the practical path for* EVERY *bank to more efficient check handling.

RICHARD L. KRAYBILL

TALK about magnetic ink check encoding to a banker who hasn't decided to make the change and, sooner or later, he'll ask two questions. First he will wonder, "Is this really a workable approach to check handling?" And then he will ask, "What's in it for me?"

It's easy enough to see the answers to these questions in a big bank where the practicality and benefits of complete automation can be clearly demonstrated. But how about the banker who isn't interested in automation for his bank? Just what benefits can he expect to gain from putting the magnetic ink code on all his checks? Is this a practical plan or only a passing fancy?

To get those answers it is necessary to examine mechanized check-handling operations in a major collection center. That's why we went to the Federal Reserve Bank of New York. As a basis for comparison we first looked at its conventional check-handling operations.

Under the present, typical set-up it takes about 250 proof machines—most of them working three shifts—to handle nearly 600,000,000 checks that pour through each year. Unfortunately, they come in waves rather than a steady stream. This places a further burden on the staff since it must be geared to handle the crests of these waves as fast as it handles the valleys.

"We're handling the present load by scheduling our staff around the clock and straining endlessly to provide enough trained operators for our proof machines," explained Marcus A. Harris, vice-president of the New York Fed, in describing the problem he faces. "When our volume reaches a billion checks a year—maybe five or ten years from now—our present methods will bog down. There just isn't room for the additional proof machines we'd need and, if there were, I don't know how we could get enough trained people to run them."

The answer to that problem, of course, is in the mechanical handling of checks through magnetic ink encoding. This is currently being tested in the New York Fed as well as in four other Federal Reserve banks throughout the country. The final evaluation has not yet been made, but there is no doubt about the feasibility of MICR.

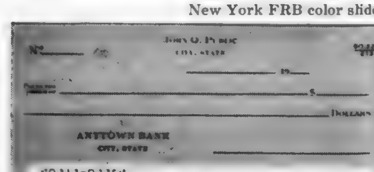
This became increasingly apparent as A. J. Stanton, manager of the check mechanization department, showed what was being done in the New York Fed. To gain practical ex-

Here's What You Do . . .

New York FRB color slides

Simply redesign your check form raising the material at the bottom to make room for the code and . . .

. . . then imprint in magnetic ink code your correct routing symbol and transmit number as illustrated here



Here's What Happens . . .

Instead of clogged pipelines as the volume of checks piles up faster than the trained operators working on proof machines jammed into a limited space are able to process manually . . .

. . . both transit and collection operations will actually move quicker and with greater accuracy and, at the same time, will provide that necessary and comfortable margin for expansion

perience with the equipment, the bank is handling mechanically a portion of the checks it receives which are drawn on country banks that are in its district.

"This is more than just a test run," explained Mr. Stanton. "These checks are processed exclusively through our electronic equipment. The only hand operations are those involved in encoding items with the proper routing-transit code (if this has not been previously imprinted) and in adding the face amount of the item."

Incidentally, under a mutual arrangement worked out with the other four participating Federal Reserve banks, some of the checks sent to these banks every day are "qualified" or properly encoded as soon as they are received. Of course, this works both ways. While the New York Fed qualifies the items going to the test areas of the other four participating banks, it receives qualified items from them.

Pre-Encoding Would Help

"We're spending a good bit of time," Mr. Stanton said, "in encoding checks that come through with no magnetic ink characters on them." He picked up a check drawn on a New Jersey bank to illustrate his point. It had been designed to provide space for the code, but the band across the bottom was entirely blank.

When a check like that is received. the bank's routing symbol and transit number must be encoded. The Fed has an imprinter that operates like an adding machine and keys in these important numbers. But the imprinting is basically a manual operation. "If only we could persuade more banks to pre-print their routing symbol and transit number in the magnetic ink code on all their checks," explained Mr. Stanton, "it would be a tremendous time-saver for us and for all banks."

The next step is to encode the face amount of each item. This is done through a device that may be attached to an adding machine or to a proof machine. It operates through the machine's keyboard so it involves no extra work for the operator. In a broader sense it could be considered extra work because, if items were received fully encoded, neither an adding machine nor a proof machine would be necessary.

But these devices could be very helpful to the bank that wishes to encode the dollar amount of every item, but does not want to go to any great expense or put an additional burden on its staff.

After all the incoming items have been properly encoded, the mechanical processing is ready to start. The equipment consists of three basic units. There is the sorter-reader which can electronically "read" the code on each check and sort every check to its designated pocket. There is the high-speed printer which can list the items and amounts as fast as the sorter-reader can read them. And there is the electronic brain which tells the sorter-reader and the printer exactly what to do at each step. It also accumulates amounts and, at the proper intervals, it passes along sub-

(CONTINUED ON PAGE 107)

Simple Arithmetic

x 25

The two ways checks are processed in the Federal Reserve Bank of New York are illustrated by the product and the multiplicand. While the factor (25) is only a rough comparison of the two methods, there is no doubt that the sorter, printer, and electronic "brain" can do more in less space than proof machines where each check is handled individually

COLLEGE DAY PROGRAMS IN 39 CITIES

RAYMOND T. PERRING

MR. PERRING, *president of the Detroit Bank and Trust Company, is chairman of the Committee on Recruitment, Association of Reserve City Bankers.*

THE College Day program of the Reserve City Bankers Association had its genesis some four years ago following a successful trial run in Memphis under the direction of Allen Morgan, president of The First National Bank. At his urging a round of conferences between bankers and educators was held in 1957 with the principal objective of improving recruitment practices at the college level. Meetings were conducted by individual banks and groups of banks in over 30 reserve cities. At their conclusion, the consensus of the participants was that the conferences had served a good purpose and that they should be repeated after an interval of about three years. A number of the members also expressed a need for a recruitment booklet that would set forth properly the career opportunities in banking.

Reactivation of the program was approved at the annual meeting of the association in Phoenix last year. At the same time the directors authorized a moderate expenditure of association funds to finance the development and production of a recruitment booklet.

No project is initiated these days without a preliminary questionnaire and our committee had an understandable desire to be fashionable. Furthermore, we had three definite reasons or objectives for a questionnaire. We needed to assemble some data on recruitment practices, employment conditions, and promotion policies to prepare for our booklet. In addition we wanted to gauge the market potential for a booklet, to see if the idea was financially feasible. Finally, this seemed like a good way to focus attention and stir interest in the forthcoming College Day Program.

Recruitment Booklet

An excellent response to our questionnaire produced interesting information on recruitment practices, qualifications sought in trainees, average starting salaries, fringe benefits, promotion experience, and so forth. For the most part the disclosures were reassuring rather than startling. The desire for a recruitment booklet was confirmed and we concluded there was a market initially for at least 10,000 copies.

The booklet was planned and developed in a series of conferences with members of the J. Walter Thompson staff. We delegated to them the hard work of writing, layout, and illustration. After the usual travail and moments of gnawing doubt, the booklet was given birth and christened *This Banking Profession.*

The Banking Image

It is designed to attract and hold the attention of the college student and to create a favorable image of banking as a field of endeavor. It is bright and informal in appearance and style but dignified and informative in its message. It is not wordy but does drive home important facts such as these: banking is a growth industry; it is a challenging, exciting, rewarding activity; banking offers a wide range of executive opportunities and has need for many different talents; it has a relatively high ratio of officer positions and generally promotes from within on the basis of merit; advancement is facilitated by on-the-job training and other educational programs; salaries and fringe benefits are competitive and sometimes superior; and, of course, banking offers stability, security, and prestige.

The booklet contains a number of authentic case studies with wide geographical distribution which demonstrate how qualified, energetic young men have advanced to positions of executive responsibility. Naturally we put banking's best foot forward but the lily is not gilded, it is presented in true colors.

For the reactivation of the College Day Program chairmen were selected from among association members to organize conferences in the various reserve cities. The response in most cases was typical—enthusiastic cooperation. All the cities that participated in the first round—with one exception—agreed to go along again. The exception was Philadelphia which had already staged a second round meeting on its own initiative in the fall of 1959. Five or six cities came in for the first time. In all, 39 cities expressed a willingness to arrange meetings, which is about 85% participation.

Tailored Programs

As before, no rigid pattern or single ideal agenda was offered. Chairmen were urged to tailor a program to their particular needs and conditions. The committee made suggestions, offered ideas, and submitted samples of successful agenda when requested. The result was an over-all program of variety and flexibility.

Not all the scheduled meetings have been held yet, but we are in a position to summarize and evaluate the project. No booklet or book (including the Good Book itself) ever won universal acceptance and approval. We were experienced enough not to expect it of our literary effort. It did, however, get a heartening reception. Many nice things were said about it in articles and reviews.

The booklets are being distributed by our members at College Day meetings, will be put in college and university placement office racks, and will be used for other recruitment purposes. They are presented as an association piece or are personalized by attaching to the cover a fact sheet of an individual bank. Some of our

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for Bank Careers

A RESERVOIR OF TRAINED MEN

A FOUR-STAGE plan designed to provide banks with "a reservoir of trained men" to fill executive positions is outlined in the report of the Committee on Bank Executive Education and Training Programs, Association of Reserve City Bankers.

The committee, whose chairman is Tilden Cummings, president of Continental Illinois National Bank and Trust Company, Chicago, drafted its blueprint after surveying member bank experience with programs for executive development. Replies to a questionnaire came from 96 banks: six in the under $100,000,000 group, 57 between $100,000,000 and $500,000,000, and 33 over $500,000,000. Ninety-three of the banks now have executive education and training programs, nearly half of which are at least 10 years old.

In the report the committee emphasizes the need for goals and objectives, the selection of trainees, and the basic principles that have helped programs succeed. It also has several suggestions for making the "ambitious" program effective.

The Program

Here are the four steps: (1) Introduction to the bank and the banking business (orientation); (2) a bank-wide rotation schedule; (3) temporary assignment to definite job responsibilities; (4) continued education and training after permanent assignment. Each is outlined in some detail.

"The survey replies show, by and large," says the report, "that the banks consider their programs to be effective—but the answers to certain questions seem to indicate the need for improvement:

"It appears that too many participants are leaving the bank and too few are attaining officer status. Of course, it would take an extensive qualitative analysis to determine if this is due to weaknesses in the programs. On the other hand, executive training is costly (particularly if many participants later leave the banks) and any improvement that would help reduce turnover is good.

"More important than the first point, however, is the fact that over 70% of the banks replying to the questionnaire saw the need for improvements in their own programs and made suggestions as to how they would do this."

The Bank's Own Goals

The report stresses that every bank's executive education and training program "should be based on its own executive development objectives." These, in turn, should reflect the bank's own goals. No bank should attempt a program without goals and objectives, the committee warns.

The survey provides interesting statistics that may be helpful as a guide to the number of trainees banks bring in each year under these programs: banks with $80,000,000 in average deposits, two persons; $240,000,000, five persons; and 17 for banks over $1,300,000,000. Some of the trainees came from the banks' own staffs, many from college recruiting. "In both cases selection was made on the basis of various qualifications. The most important were education, personality, interest in banking, intelligence, appearance, leadership, aggressiveness, and maturity."

Commenting on the fact that nearly half the programs surveyed are at least 10 years old, the report says this is important "because for men who finish the program and stay with the bank, the average time until they become officers has been less than five years. Thus many banks have been able to evaluate not only their immediate results but the long-range results in executive development."

Four Principles

The survey, asserts the report, points up four basic principles that have helped bank programs succeed, whatever the institution's size:

(1) Keeping the programs flexible. Participants are either promising bank people with executive potential, or they are college graduates. Therefore, the variety of individual experience and background has a bearing on the program to be followed by each.

(2) Keep the individual touch. Make each person feel he is an important member of the bank. Dramatize banking and his part in it. Have frequent discussions and counseling with individuals. Let each know where he stands at all times.

(3) Make sure the individual understands. He must know *why* certain things are done and what it all means to the customer. This must be impressed on teachers of the program.

(4) Accelerate the program as rapidly as the individual can take it. Training that drags discourages him, but a quick tempo, combined with thoroughness, holds his interest.

Here are partial details of the suggested 4-step outline:

ORIENTATION. This phase may

(CONTINUED ON PAGE 118)

Developing Management Talents

ON the importance of developing management abilities the report says: "As the individual makes progress in the bank—and particularly when he becomes an officer—he assumes more responsibility. He, and your bank, will profit if he understands and practices effective supervision, planning, problem solving, delegation of responsibility, communications, and human relations. While these subjects may be brought up in the basic course, they certainly should be covered in greater detail at this stage."

On-the-Job Services

Credit Union Goals: Grow and Get Rid of Loan Sharks

GROWTH seems to be the main ambition of the credit union community, at least as represented in the words of H. Vance Austin, managing director of Credit Union National Association. Its second ambition is to accomplish the main goal of "ridding the world of unscrupulous money-lenders and loan sharks," the same speaker told 1,000 credit union leaders from throughout the world at recent annual meetings in Quebec, Canada.

Mr. Austin pointed out that even though credit unions are the fastest growing financial institutions in the United States and Canada, they hold only a small part of these countries' personal savings and make only a small portion of their consumer instalment loans. He urged the leaders to "redouble their efforts to organize new credit unions and encourage more people to join existing credit unions."

Evaluate and Set Targets, Says Modley

Two Michigan banks, operating successful in-plant plans in 72 establishments with almost 10,000 employees, have been offering these plans for four years. Almost 40 out of every 100 employees represented have loans outstanding with the banks.

Rudolf Modley, editor, *Reports, Inc.*, Kent, Conn., suggests that now bank management can evaluate and set up realistic targets for in-plant operations. Mr. Modley suggests about 30 loans outstanding, amounting to $20,000, per 100 employees. As a savings target, he suggests 15 employees per 100 and a savings balance of $3,000. These goals can be obtained within two years after starting in-plant in an establishment, if top management follows these precepts:

(1) have full faith in instalment credit;
(2) clearly assign responsibility and authority for execution of plan;
(3) establish and maintain continuous communication with employees;
(4) be flexible enough to make changes when required;
(5) set up and enforce controls.

Credit Union Leader Endorses Douglas Bill

The head of the credit union movement has urged Congress to pass the "truth-in-lending" bill introduced by Senator Paul H. Douglas, saying, "Any honest businessman ought to be willing to tell the customer the truth about the cost of credit."

Stating the dollar cost would not satisfy the need, claims Mr. Austin, because the annual rate is "an understandable measuring stick. . . . The buyer can shop around and compare different deals. If the price tag clearly shows the simple annual interest rate," says Mr. Austin, "then he'll be able to make a fair comparison."

Mr. Austin further admonished that "reputable, legal lenders had better get behind this bill and work for its passage for their own good."

Community Credit Unions: No New Concept

Is the common bond broadening? Or has it been broad all along?

Much fuss, publicity, and conjecture has been made over the announced granting of a credit union charter to the community of South Miami, Fla. The charter could affect (which presumably means include) the area's 10,000 residents, according to C. W. Petry, South Miami city manager, who would be credit union president. Other sources claim that the charter referred to actually has been granted only to cover individuals who are dues paying members of the South Miami District Chamber of Commerce in Dade County, Fla., numbering about 350. Either set-up would be legal, and well within the scope of present Federal and most state credit union laws.

Would this community credit union concept be so new? Would it depart from present organizational practices? Not at all. There have been in existence, for periods of up to at least 25 years, community and co-op credit unions, many of them in rural areas not served by banks.

Examples, to cite two: residents of Hereford, Tex., or a 25-mile radius, may belong to a community credit union with 4,000 members, now in its 26th year; 15,000 residents of Ferndale, Mich., population 40,000, belong to a credit union which employs a full-time publicity man, and spent $18,000 for advertising, publicity, and education during the first nine months of 1960.

Eight hundred community or co-op credit unions exist, with total assets of $150,000,000.

Two Banks Install Their First Plans

First National Iron Bank, Morristown, N.J., has made its first in-plant installation, on the premises of The Mennen Company. Initially offered will be checking, savings and Roto-Credit accounts, and personal loans. Suburban Trust Company, Hyattsville, Md., is setting up its Employee Thrift Plan in over 100 businesses in Montgomery and Prince Georges counties. Checking and savings accounts and all types of loans will be available.

Market Research Supplies In-Plant Modifications

Bankers Trust Company's new market research department recently sampled a cross-section of firms they considered on-the-job prospects. This New York bank found a definite market potential for the service, but came up with many modifications in the plan as first proposed.

The Danger of a Fettered Fed

JAMES J. CARNEY, JR.

The question of the independence of the Federal Reserve System is more than just academic—it is becoming critical. Here is an answer with emphasis upon the reason for the need for speed.

SHOULD the Federal Reserve System be responsible to Congress or the Treasury? If not, how much autonomy does the System need to manage the money supply effectively?

We have not yet given a firm answer to such questions. The System's present level of independence rests entirely upon legislation. It was an act of Congress in 1935 that removed from the Board of Governors both the Secretary of the Treasury and the Comptroller of the Currency. A new piece of legislation could restore this Treasury influence upon the System at any time. Similarly, new legislation could reduce the board member's term of office, make him ineligible for reappointment, or make him removable for slight cause. All this could open the door to direct control by the Treasury and/or the Congress.

Consequently the degree of autonomy that the System enjoys today hangs by a slender thread. It contrasts sharply with the firmly entrenched independence of the Supreme Court.

A Varied History

Being thus loosely rooted, the System's independence has varied in extent even in the last 25 years. During World War II, the System adjusted its policies to those of the Treasury Department, and quite rightly so. The exigencies of war finance took precedence over all else, and the Board of Governors cooperated whole-heartedly. But after the war, it took a classic struggle for the System to regain its former status.

For a half-dozen years the President and the Treasury Department were strong enough to force the System to continue to support the Government bond market. This highly inflationary policy was strenuously opposed by leading Board members, but with the latent threat of Congressional reprisal hanging over their heads, these Board members were in no position to resist effectively. It took substantial inflation finally to force the executive and legislative branches to retreat.

At the present time, we should seriously consider making our monetary authority as completely autonomous as the Supreme Court. Such a step is needed now because we have already lost, or are in the process of losing, two great dams that for years have held back the over-issuance of money. The first of these is our supply of gold, and the second is the awe and fear that a great Federal debt has traditionally instilled in us.

The former is more spectacular, but the latter is possibly the more ominous loss of the two. The rise of debt has been the active force in the cheapening of the dollar over the last 20 years, and today it promises to reinforce the ever-present inflationary pressures in the economy.

The Primary Danger

Any significant inflation now could do far more damage than simply ruin creditors or dilute the inducement to save. It could bring the Treasury to the brink of its capacity to borrow—an event that could seriously impair the nation's war effort if World War III should break out. We can substantially reduce the risk of such unnecessary and harmful eventualities by establishing a truly autonomous monetary authority.

Our recent gold losses constitute the first threat to the integrity of the dollar. Although we are not technically on the conventional gold standard, the supplies of gold on hand do provide an ultimate limit to the number of dollars in circulation. By law, the Federal Reserve Banks must keep on hand gold certificates in the amount of at least 25% of their Federal Reserve Note and deposit liabilities. Other things being equal, if our gold supply drops to the point where it constitutes less than 25% of the note and deposit liabilities, the Federal Reserve banks will have to reduce those liabilities, and thus the supply of money in circulation.

The author is chairman of the Department of Finance, School of Business Administration, University of Miami, Coral Gables, Florida.

This would mark the beginning of a deflationary trend. Sharply declining prices would be intolerable, because of the probable increases in unemployment and in business failures that ordinarily accompany such deflation. But the threat posed by our continued gold losses would actually be more serious than this. The Treasury's ability to borrow could be brought to an abrupt halt.

The Banks' Role

When the Treasury sells its securities, it ordinarily (especially in periods of rising prices) offers them first to non-bank investors. It then turns to the banking system to take the remaining unsold obligations. The banking system, in paying for its purchases, sets up deposit accounts in the name of the Treasury. The total amount of all such deposit accounts that the system can carry on its books is limited by the gold reserves in the possession of the Fed-

eral Reserve banks. Therefore, outflows of gold reduce the ability of the banking system to buy Treasury obligations; therefore, they limit the ability of the Treasury to borrow.

Currently, our gold certificate reserve is comfortably above the 25% minimum requirement, but it is the trend that is alarming. At the end of 1960 it was 37.4%; one year before that the ratio had been 39.9%; in 1958 it had been 42.1%; and in 1957, 46.3%.

An Unpleasant Trend

The unpleasant fact is that our recent gold exports mark only the beginning of a long run secular trend. Gold outflows may be interrupted temporarily, as they have been lately, but "interrupted" is the proper word: the secular trend is dominant. The perspective of the last half-century points up the real root of our difficulties.

We began to acquire our huge gold supplies in partial payment for our exports and foreign loans during World War I. Gold continued to flow in as we kept on sending goods abroad to help in the postwar reconstruction.

At the same time the normal tendency for gold to flow out of this country failed to materialize. A combination of monetary management and a rapid repayment of the Federal debt prevented American prices from rising to the full heights that our swollen gold supplies could have supported. Concurrently, in many foreign nations, shortages of goods plus monetary management prevented prices from falling abroad. With foreign prices not materially lower than American prices, American demand for foreign goods did not grow as the traditional theory of international gold flows indicated that it would.

Then, as the 1920s drew to a close, high rates of return on brokers' call loans enticed still more gold into the country. Subsequently, the threat of war in the late 1930s made Europe hazardous as an investment outlet, and this set up another flow of gold toward the United States. Finally, with World War II, the events of 1914 and immediately succeeding years were repeated.

But then the situation changed. By the latter half of the 1950s foreign productive capacity had recovered and, in many areas, had moved ahead of our own. Foreign nations today do not need our goods as they did: they are even able to produce for export in competition with us in other markets. They have replaced their bombed-out facilities with the most advanced instruments of production, frequently more efficient than ours. This, combined with relatively low money wage rates, enables them to produce at prices that are low in comparison with ours.

All this adds up to more than a trend towards fewer American exports and more imports. Greater earning possibilities abroad are inducing American capital to look for investment in foreign lands. At the same time, we must recognize that foreign investors may feel that other parts of the world promise greater safety for investment, since this country would be the prime target in any new world war.

Stopgaps . . .

In the face of all this, can we do anything to halt these gold outflows? We can and are doing many things, of course, but each of them has great disadvantages—or promises but temporary relief: High interest rates to bring gold into the country; exchange controls to limit our purchases of foreign goods; improved credit extension to foreign buyers; requiring the beneficiaries of our foreign aid programs to spend the proceeds here. These are just some of the steps.

There is always the extreme step of devaluation. Our exports would rise, no doubt, but the unusual demand for American goods would then tend to send our costs and prices still higher. This would eventually destroy our new export market. In short, devaluation is at best a temporary expedient.

. . . But No Solution

Evidently we must accept the premise that gold will continue to flow out. We are thus left with the problem of preventing outflows of gold from generating serious deflation. The first step obviously is to lower or to eliminate entirely the 25% gold reserve requirement. Economists associated with leading banks in this country have advocated a complete abandonment of the requirement, and the managing director of the International Monetary Fund has expressed his personal approval of such a move.

To give up the gold reserve requirement means to accept a purely managed money. Such a step promises a far better opportunity to head off excessive variations in the price level than a fundamentalist gold or silver standard ever did. On the other hand, the classic argument against a managed money has been that in practice it has rarely yielded a stable price level. That's because (1) man has lacked both the tools and the know-how to manage his money successfully and (2) he has lacked the necessary self-discipline to restrain his issues of such money.

It is important to realize that our great gold supplies have played only a passive role in the dollar's shrinking value. The active inflationary factor has been the rise of the Federal debt. The monetization of huge quantities of Government securities between 1941 and 1945 resulted in huge increases in the money supplies that culminated in today's cheap dollar.

Our Changing Attitude

The psychological consequences of that debt are perhaps more disturbing than the simple economic developments. We have lost our traditional fear and awe of a heavy public debt. Our deep-seated urge to get rid of such obligations is rapidly fading away. The reason, naturally, is our growing familiarity with debt. For 15 years, we have lived with it, serviced it and, withal, enjoyed a truly high level of real income. All this suggests to us that such a debt does no harm. Considerations of this kind not only weaken our traditional resolve to pay off debt, but encourage us to borrow more.

The Final Threat

One final step would remain to complete the threat to the integrity of the dollar. The Treasury would need the right to force the banking system (especially the Federal Reserve banks) to buy all the securities that the fiscal authorities wanted to sell. Currently, the law forbids the Reserve banks to hold more than \$5-billion of securities that they have purchased directly from the Treasury. But this restraint is an act of legislation, and as such can be changed or eliminated as readily as the statutory limit to the size of the Federal debt.

Yielding to reasoning of this kind

(CONTINUED ON PAGE 114)

BANKING'S Spotlight on—

RICHARD WAGNER

This month's spotlight is focused on the new president of the U.S. Chamber of Commerce. BANKING'S *Washington correspondent, Herbert Bratter, reviews Mr. Wagner's career.*

WHEN he was 14, Dick Wagner quit school and took a job as messenger in a Chicago bank that was a predecessor of the Continental Illinois National Bank and Trust Co. That was in 1910 and the $5-a-week pay was supplemented by supper money, for the working hours extended from 8 A.M. to 10 P.M. and even later. These conditions did not deter young Wagner from spending an hour a day in the YMCA gym to keep fit and studying in his spare time a shorthand manual, which was among some books left to him by an aunt.

Then one day, during the lunch hour, the bank's president wanted to send a telegram but could find no secretary to take it down. "I can take dictation, sir," the bright messenger volunteered. So the telegram was taken care of and Richard Wagner was on his way. The next day he was made assistant secretary to the bank's president and later, secretary. He was permitted to spend time in most departments, including the investment, credit, and trust.

Although he had quit school to go to work, he went to high school at night to earn his diploma. Thereafter he continued his education at Northwestern University and enrolled in the American Institute of Banking. When the president left in 1915, Mr. Wagner became an administrative assistant to his successor.

By 1929 Mr. Wagner was second vice-president of Continental Illinois. The bank's midwestern investment trust, the Chicago Corporation, was badly shaken by the financial collapse that marked the start of the great depression. The bank asked Mr. Wagner to lend a hand and he became vice-president of the corporation, rising to its presidency in 1938. Since then the corporation has changed both its name and its activities. Now the Champlin Oil and Refining Co., it is a flourishing enterprise. In 1929 the investment trust had assets of $31,000,000, its gross annual income was less than $1,000,000, its common stock was selling at $1 a share, and it had never paid a dividend.

Today the net assets of the Champlin Oil and Refining Company are about $160,000,000, net earnings in 1960 exceeded $9,000,000, and the company has paid out in common dividends, since Mr. Wagner became president, more than $50,000,000.

Under Wagner's leadership, the corporation became seriously interested in oil. A small Gulf Coast oil firm was acquired in 1943; and thereafter the corporation concentrated its resources in oil ventures. In 1954 it bought the Champlin Company, at the time a family-owned independent with headquarters in Oklahoma. This nucleus, expanded and modernized, developed into the present fully-integrated, producing, refining, and marketing oil company. Champlin is now one of the larger independents, with a significant share of the total market in the Great Plains region, its principal territory.

Although Mr. Wagner has not been connected with banking since 1930, he has found his banking experience of great value. "In banking," he said, "you get a very comprehensive understanding of the American economic system and thorough training in Government fiscal policies, banking procedures, and monetary concepts." While with the bank, Mr. Wagner attended a number of A.B.A. conventions.

"People who believe in the right of free men to make their own decisions used to be called liberals. Now we're called conservatives—or even reactionaries," Mr. Wagner says. "According to Webster, the word *reaction* is used in medicine to mean a build-up of resistance to virus infection. I think it is time for businessmen to become reactionaries in that sense. We must become active and effective in politics and help build up a resistance to the virus of alien isms which are contrary to traditional American principles."

Mr. Wagner has long been active in the Chamber of Commerce. He became a director in 1957, a vice-president and chairman of the Policy Committee in 1960. He has served on the U.S. delegation to the GATT and this month will again visit Geneva as a U.S. employer-delegate to the ILO conference.

Some $194,000 in counterfeit U.S. Treasury note coupons were accepted by a national bank in New York recently. They were fraudulently presented by persons introduced to the bank by one of its "new business" employees, a man who had come to the bank from the plumbing supply business. Subsequently this employee and other parties concerned were arrested by the U.S. Secret Service.

The Case of the Counterfeit Coupons

TO ASSIST bank officials in preventing a repetition of such fraudulent schemes, BANKING discussed this case with Secret Service Chief U. E. Baughman. Here are the questions and his replies:

What mistakes were made by the bank in this case that could have been avoided?

In answering this question it must be remembered that the $194,062.50 in counterfeit bond coupons were accepted after the two men who presented the coupons were introduced to bank officials by a bank employee as wealthy and reputable persons. It is problematical whether the bank would have accepted more than 25,000 of these $7.50 coupons without question had the men presenting them not been vouched for by the bank employee.

The value of the coupons presented seemingly meant that the persons having the coupons were holding bonds representing more than $25,000,000. Persons of such wealth, obviously few in number, would certainly have had business relationships with other banks, and discretion would dictate that some inquiries should be made.

Apart from routine precautions to be taken in banking transactions, one lesson to be learned is that some banks may have need to stiffen their employment practices so as to provide a method for screening out candidates for employment whose reliability is questionable.

How can one distinguish a counterfeit coupon from the genuine?

Basically this involves familiarity of employees with genuine coupons, the characteristics of the paper, and the fine workmanship of the printing which is accomplished by intaglio process. Most counterfeits, whether coupons or currency, are printed by offset process which does not produce as high quality workmanship as the intaglio process. The same distinction might be made as between an expensively engraved business card or announcement as against an ordinary printed card.

In this case, the coupons involved were printed by offset method. The lack of depth and sharpness in printing, particularly where fine shading lines would ordinarily be used, should have attracted the attention of the bank employees. The regularity with which the counterfeit coupons were cut, all exactly alike, should have been a quick tip-off that the coupons were not clipped from bonds.

"Stiffen your employment practices," warns Secret Service Chief Baughman

How was this counterfeit detected?

Too late a bank teller became suspicious. The counterfeits were identified as such when officials of the Federal Reserve Bank of New York were consulted.

Are there more of these counterfeits in circulation and, if so, what is their description?

The possibility that more of these counterfeits are in circulation exists. However, at this time no positive estimates can be made. Certainly, all banks should be on the alert for the counterfeits. These particular counterfeit coupons are dated October 1, 1960, they are in the amount of $7.50 each, and purport to have been attached to $1,000, 1½% Treasury Notes, Series EA-1961.

What about forged bonds, including Savings Bonds? Is this a problem?

This is indeed a problem. In recent months the number of stolen and forged U.S. Savings Bonds negotiated at banks has increased immensely. An article on this subject was published in the March 1961 issue of *Protective Bulletin* of the American Bankers Association. This problem was also the subject of a special notice by the Treasury Department to principal executive officers of agencies authorized to pay Savings Bonds. The article in the *Protective Bulletin* and the special notice should be "must" reading for bankers.

HERBERT BRATTER

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Business Building Bulletin

IDEAS AT WORK

This section of the Bulletin is by JOHN L. COOLEY.

Student Concerts Sponsored by Bank

Maestro Ormandy and R. Stewart Rauch, Jr., president of the Philadelphia Saving Fund Society, greet teenage winners of the Philadelphia Orchestra's junior auditions: Diana Duffin, Thomas Wolf, and E. J. Humeston. They will appear in the bank-sponsored concerts

THE Philadelphia Saving Fund Society is sponsoring next season's series of six student concerts by the Philadelphia Orchestra.

PSFS also will award cash prizes to student soloist audition winners who perform at the concerts under Maestro Eugene Ormandy and Assistant Conductor William Smith. The prizes will be bestowed at each concert by R. Stewart Rauch, Jr., president of the bank.

C. Wanton Balis, Jr., president of the orchestra association, said the PSFS participation exemplified "the type of enlightened generosity that is urgently needed from the business community to enable the Philadelphia Orchestra to maintain its high cultural standards and to encourage promising young musical talent."

Each concert, held in the Academy of Music, home of the orchestra, will feature soloists chosen in the orchestra's student auditions.

"There's No Such Thing As a Free Lunch"

JUNE, of course, is Commencement Month, and an opportunity for some bank-school relations such as a letter of congratulations to the Class of 1961 at the local high school or college, or to individuals who have distinguished themselves.

A case in point is the congratulatory message sent by Robert W. Turner, chairman of the board, The City National Bank, Council Bluffs, Iowa, to high school students elected to the National Honor Society. Complimenting the young people on their attainment and urging them always to seek the "most satisfying peaks of achievement," Mr. Turner said:

"Never expect something for nothing! There is no such thing as a free lunch! You can only be paid for what you produce!" If everyone accepted that principle, he added, there would be "no inflation, no insecurity, and no crushing tax load."

"As one of the intelligent of the world, you have a particular responsibility for learning, for keeping and sustaining knowledge," the letter continued. "If you fail in that responsibility the ignorant will take over and the value of knowledge will be lost. You can't vote yourself security! For every inch advanced toward pseudo-security, we retreat a full step toward regulation—only a short step from servitude. The more you add to the world's goods the more you can be paid in return—security with self-respect!

"There are plenty of opportunities in America for all! With your ambition and energy and enthusiasm and ability, you will earn many rewarding experiences through the years to come."

MR. Turner told BANKING: "I am convinced that the youth of America is floundering around because of the fact that intelligent adults haven't expected much of them—that we need something serious, not only in colleges and high schools, but in the pre-school kindergarten and first grades."

Harris Trust & Savings Bank, Chicago, was host to the Finance Club of Indiana University. After touring the bank, the students talked with officers, including Executive Vice-president Donald P. Welles

Bank Sponsors Technical Training Conference on Area Needs

WORCESTER County National Bank of Worcester, Mass., taking a long-range view of its area, held a conference on the needs and resources for technical training in the district. The meeting was attended by 150 leaders of industry, education, and labor.

Arranged by President Edward L. Clifford, the conference was the result of a recommendation for training local labor in a 1960 report on the economic future of the area.

Committees of experts were organized to make detailed studies of the needs and training facilities now available, and the new facilities required. Reporting committees were:

Manufacturing industry, to discuss preparations for replacing retired personnel and training of supervisors.

Construction industry, to discuss the need for upgrading journeymen to meet technological advances.

Technicians, to survey the present and projected need for technicians and report on services available.

Engineers and scientists, to report on the men who are being prepared by local schools and make recommendations for the future.

Office technicians, to discuss the increased use of automated equipment.

To stimulate programs of action throughout the area, the bank distributed conference kits to chambers of commerce in the county.

A Bank Suggests Uses for Dollars

WHEN $4,000,000 suddenly dropped into the hands of 4,000 residents of Savannah, Ga., The Liberty National Bank & Trust Company took unusual action.

The money resulted from the reorganization of a local industry's employee retirement, pension, and savings program. More than 5,000 workers had the option of withdrawing their savings, and some 80% of them did so.

Liberty National published an "Open Letter" in the Savannah papers encouraging the employees to "spend some of your money . . . spend part of your money . . . give at least a small share to a worthy cause."

In telling people to spend more of their dollars the letter said: ". . . It will be good for you . . . good for business . . . and good for your community." A downpayment on a house or car, new furniture, appliances, or a summer vacation were mentioned as possible uses for the money. Charitable contributions, the letter pointed out, would not only "make you feel good" but benefit the community.

Suggesting that part be saved for emergencies and future needs, Liberty National added: "Naturally, we would like to have you save it here, but that is your decision to make. *What* you save is even more important than where you save it."

President George E. Patterson said: "Every employee had a reason for withdrawing savings, but as a community service we felt we could help stimulate the best possible use of the uncommitted dollars."

At the time the bank was running a savings promotion, so results are difficult to trace. But it got much favorable comment.

1st National of Fort Worth Opens New Building, Motor Bank, and Garage

THE First National Bank of Fort Worth opened its new $10,000,000 18-story building, motor bank, and garage with a series of open houses and inspection tours.

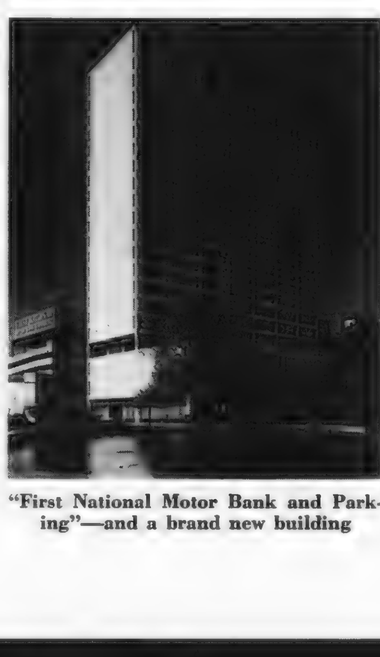
There were special programs for the stockholders, employees and their families, customers, representatives of the correspondent banks, building suppliers and tenants, Southwest and local businessmen, members of civic clubs, and other groups.

The formal dedication missed by only one day the bank's 84th anniversary. J. Lee Johnson, Jr., board chairman, presided over the brief dedication ceremonies. Guests were introduced by President Murray Kyger.

The new motor bank's facilities include five tellers windows. "Drive-through" rather than drive-in is an important feature: the customer has an easy, quick exit. There's ample off-street waiting space. Accommodations for 525 cars are available in the parking garage across the street. Entrance to the main bank is by tunnel.

A brochure, "A Bank and a Shoal of Time," telling the story of Fort Worth and the First's contribution to the city's growth, was distributed.

Reporters covering the opening had the benefit of a complete "writers' information kit" containing news stories, factual information, photos, descriptions of the banking facilities, history of the bank, sketches of its executives, and a booklet on Texas sculpture.



"First National Motor Bank and Parking"—and a brand new building

"Oldest" Honored on Bank's Birthday

THE oldest passbook, the oldest families and the oldest visitor were honored at the 85th anniversary

Chase Manhattan's 60-Story Home Is Modern Image of Banking

THE Chase Manhattan Bank in New York has opened its new 60-story head office building, housing "the largest banking operation ever assembled under one roof." In the words of President David Rockefeller, the glass-aluminum giant in lower Manhattan utilizes "new concepts of architecture to express a contemporary image of banking."

The official opening was without particular fanfare. A group of the bank's directors, branch advisory board members, and officers attended a luncheon in the building at 1 Chase Manhattan Plaza—and that was the extent of the formal ceremony. Preceding it, reporters were taken on a helicopter tour of the bank's area, center of major redevelopment plans.

Mr. Rockefeller told the official family that, in contrast to the impression of strength and security banks formerly sought to create, this one, with its 8,800 windows, enabled "people to look into the new bank and see bankers at work. And by the same token bankers can look out—as indeed they should in a day when the business of the bank is intimately concerned with the whole community."

George Champion, chairman of the board, said the building was designed to meet CM's needs for many years to come, "anticipating an era when the nature of the banking business will be constantly changing and expanding."

Features of the building include: the world's largest bank vault; an art collection decorating the CM's private offices and reception areas; the world's largest automated check processing center; the largest air conditioning unit in a commercial building; direct inward dialing telephone service.

The bank occupies 30 floors and six underground levels. A three-quarter acre plaza is to adjoin the main building, which is a major milestone in the revitalization of downtown New York.

Here's the newest tenant of lower New York's famed skyline, the 60-story home of Chase Manhattan Bank

open house of The Houston National Bank.

The party lasted all day and attracted 50 customers aged 80 years or more. Eight families brought four generations, all customers, and one was represented by five generations. Gift certificates for family portraits went to these visitors. The oldest caller, a retired business woman of 93, came in a wheel chair.

By coincidence, 85 savings passbooks were submitted in a competition for the oldest; there were cash prizes for winners and free safe deposit boxes for runners-up in the contest.

The exhibits included a "Houston Then" display of original drawings of early scenes and a collection of Republic of Texas currency. The bank published a historical brochure for the anniversary. The public was invited through newspaper ads, radio announcements, and printed invitations to customers.

New Check Design Boosts "Century 21"

TO publicize Century 21, the World's Fair to be held in Seattle in 1962, the Puget Sound Mutual Savings Bank of that city developed a background design for its checks. A panorama of the grounds is shown.

Several banks in Seattle, we're told, have agreed to use this method of promoting the fair.

Fidelity Bank in Beverly Hills, Calif., plans to repeat next year its 1961 Easter Festival. The bank created a garden in the lobby and a boys choir sang. Here's part of one audience

President Roy F. Taylor, *right*, president of the Seattle bank, shows the check design to Ewen Dingwall, general manager of Century 21

The display told viewers to stop fishing for bank services. They are all at the Lawrence

Thousands visited a Social Security exhibit at Trade Bank and Trust Co. in midtown New York. SS leaflets were distributed

Money Fish Feature at Sport Show

At a local sport show the Lawrence Savings and Trust Company of New Castle, Pa., made a hit with a novel display. It was a 42-inch plywood fish encased in new pennies, with a silver dollar eye and currency tail and fins, twisted to conceal the denominations.

The visitors estimated the total amount ($89.46) and there were savings account prizes for the closest guesses.

During the show the bank distributed metal rulers, folded yardsticks and memo books.

Fort Worth National Has Vivid Program As New Motor Bank Starts Business

Old and new methods dramatized the opening of The Fort Worth National Bank's motor bank and annex building. It was quite a show, and a Texas-size crowd saw it.

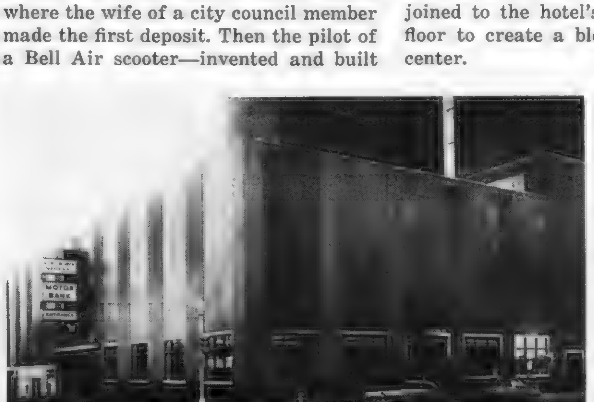
The events moved on a close time schedule between 8:40 A.M. when Vice-president Reed Sass, master of ceremonies, introduced key bank officials, and 9:30 when a stage coach, protected by a cowtown posse, delivered the first money shipment at the main entrance of the motor bank where it was transferred to an armored car.

Between those happenings spectators saw a 1911 Maxwell break through the red ribbon and drive to a teller's window where the wife of a city council member made the first deposit. Then the pilot of a Bell Air scooter—invented and built in Fort Worth by local people—dropped down to present Deposit No. 2.

Speakers included Mayor Thomas A. McCann and Fort Worth National's president, Lewis H. Bond.

A fact sheet provided for newspaper, television, and radio operatives offered a detailed schedule setting forth what would happen when, who would participate, and what he'd say. There were suggestions for camera shots, too.

The motor bank has five drive-in and two walk-in windows, closed circuit TV, a tunnel to the main bank and annex. A new grand ballroom for the Hotel Texas occupies the entire second floor of the new construction. This facility can be joined to the hotel's mezzanine as one floor to create a block-long convention center.



Fort Worth National's new motor bank has a ballroom for the adjacent hotel on its second floor

Kansas B.A. Shares in Centennial Book

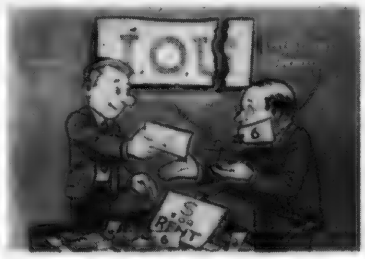
This is Centennial Year for Kansas—the 100th anniversary of her statehood—and the Kansas Bankers Association is one of several organizations that cooperated in publishing an historical album to mark the century.

It's an interesting, unusual book, packed with color pictures, facts and old photographs. The compilers seem to have found one of the latter to go with the brief biography of each city and town, including, of course, Abilene, boyhood home of the Eisenhowers.

"This album," says the introduction, "portrays the lessons that history teaches." It's the story of the pioneers and forefathers who, in spite of seemingly insurmountable obstacles, overcame their problems and laid the groundwork for us. So now as we look about us we can appreciate the sweat and toil that built this great state we live in. This material is being presented in the hope that through these lessons we may continue to enjoy some of the courage, some of the moral fiber of our founding fathers."

The brochure is titled "Historical Album of Kansas." The color cover depicts Indians demolishing a new railroad track.

(18) The price of credit is the rate of interest. Using credit costs money. Like the price of fresh vegetables, the interest rate goes up if more money is demanded than can be immediately supplied at that price. And it goes down if less money is demanded than can be immediately supplied.



One of the 111 frames in the film strip for high schools

Bank Gives Holiday Traffic Bulletins

CONTINENTAL Illinois Bank and Trust Company of Chicago is providing radio reports on traffic for motorists on Memorial Day, July 4, and Labor Day. Bulletins broadcast every half-hour over WMAQ starting at 9:15 A.M. will cover road conditions not only in the city but in resort areas of Illinois, Wisconsin, Indiana, and Michigan.

Fed's Role Shown in Film Strip

A NEW 111-frame film strip, "The Role of the Federal Reserve System in the United States Economy," is available from the Joint Council on Economic Education, New York City. The Federal Reserve Bank of New York cooperated with the council is producing the strip for use in high schools.

It's illustrated in color, with an accompanying narration by Carl Madden, dean of the Lehigh University School of Business Administration, and formerly head of the bank's public information department. Part I, "The Demand for Credit," shows how groups of borrowers use credit and how important it has been to the economy's growth. Part II, "The Supply of Credit," describes the flow of savings into the credit market and explains how commercial banks can add a flexible margin of bank credit to the supply.

"The Problem of Economic Balance," Part III, examines how the System uses its influence over the flexible supply of bank credit to promote economic expansion with stable prices.

An accompanying booklet contains a reproduction of each frame, with the narration and teaching suggestions.

The Council's address is 2 West 46th Street, New York 36, N.Y. Price of strip and book is $7.

Bank Aids Student Exchange Project

SECURITY National Bank of Long Island, Amityville, N.Y., is participating in an exchange training project that will place two foreign students on its staff for the summer and send two Cornell University coeds abroad under its auspices.

The Association Internationale of Exchange Students in Economics and Commerce sponsors the program through which American and foreign students of business and economics get the opportunity to improve their knowledge of actual business operations by on-the-job training.

The bank's president, Herman H. Maass, said Security was the first bank and the second major industry on Long Island to take part in AIESEC's work.

N.J. County Banks Have Essay Contest

SAVINGS accounts are the prizes in a high school senior essay contest conducted by the Monmouth County (N.J.) Bankers and Clearing House Association. In addition, nine member banks are awarding local prizes.

The subject is "How Does a Bank Help a Community and Its People?" Winning essays in the local communities are entered in the county competition for grand awards of $200 for the best, $100 for second, and $50 for third—all payable in savings passbooks.

Bank's Baked Beans Make News Feature

WHEN the Leonia (N.J.) Bank and Trust Company celebrated its 40th anniversary at a party featured by baked beans, ham, and potato salad, among those present was a *New York Times* reporter Nan Robertson wrote nearly a column, and a *Times* photographer took pictures.

The story quoted several of the 1,900 people who visited the bank that Saturday afternoon.

"May you have many more years of happiness," a woman told President Robert B. Hansen.

"I think it's grand," said another. "The food is luscious."

A man's reaction: "I never saw anything like it. It gives me a homey feeling. It's a nice atmosphere, with the candelabra and all."

"The food was eaten, appropriately enough," noted Reporter Robertson, "in the consumer credit department."

A fashion show was a highlight at the "bankwarming" for a new office of the Jenkintown (Pa.) Bank & Trust Co. Six models displayed the new styles

"Now *That's* a Good Display!"

The National Association of Display Industries contributed to the preparation of this report on an important bank activity.

Community Showcase

THE Baker-Boyer National Bank of Walla Walla, Wash., has a large display window in its parking area. Facing Main Street, the window is known as the "community showcase." It's used by the bank for soft-selling services and by local organizations for promoting their activities. In charge of exhibits is Tom Russel, a professional, who says the showcase has generated pleasant relations between community and bank.

Here's the Walla Walla bank's "community showcase," set in the parking area

The Franklin Savings Bank's life insurance window was a gimmick that worked. The signs at the bottom offered free literature and "A policy to provide protection for every member of your family without pressure on yourself or your budget"

Don't Buy Blindfolded

ON the lookout for a new approach to selling savings bank life insurance (a service in New York State), Samuel C. Forsythe of the Franklin Savings Bank, New York City, remembered that a men's store sold shirts with an ad featuring an eye patch. "Perhaps," he thought, "we could cover *both* eyes and sell life insurance." So he arranged the window you see here. "It was a gimmick," says Mr. Forsythe, "and it worked. This display, in its own quiet way, sold." In fact, one man (a non-customer) came in a few minutes after the display was unveiled and bought a $10,000 policy. Inquiries increased while it was on view.

This Flint bank's window is simple but strong. The sales reminder is "You can shop without cash"

A Window in Demand

SELLING bank services and promoting community activities is the twofold assignment of this big window in the Citizens Commercial and Savings Bank of Flint, Mich. The full space—it's very much in demand, reports Assistant Cashier W. Eldon Garner—may be used, as in the photograph, or it can be divided with a panel to make two areas.

A few bank lobby-window exhibits that sell services, boost the community, help customers, and catch the public's eye

The Boatmen's told the story of an important St. Louis industry

Miss America, Jr.

THE story of a city's fashion industry was told in window displays at Boatmen's National Bank of St. Louis. This is the third largest business in the metropolitan area, and it makes 15,000,000 garments a year. Boatmen's used mannequins, photos, drawings and manufacturing tools to show the evolution of a dress from drawing board to finished product. The industry's importance to St. Louis—a center for junior miss fashions—was emphasized.

Air-O-Rama Draws Crowds

A 20-DAY aviation show in the exhibit hall of the Erie County Savings Bank, Buffalo, N.Y., had a total attendance of 17,130. "Air-O-Rama," coordinated by a travel bureau, had displays by 23 airlines which supplemented their own material with products and handicraft items from many lands. Dramatic features included models of the Boeing 707 jet, Douglas DC 8, and the French Carravelle. Two companies flew orchids from Hawaii and another showed replicas of the British crown jewels.

Plane models and bright posters helped tell the aviation story in this Buffalo bank exhibition

Here's one of the 12-window displays on "The Chaos of Civil War—a Pictorial Review" at the American National Bank & Trust Co., Chicago

Civil War Show

TWELVE windows at American National Bank & Trust Company, Chicago, are used this spring to display more than 250 Civil War photographs from the National Archive in Washington, D.C. Forty-eight pictures are exhibited every two weeks. The series will be shown later at the Illinois Historical Society. A brochure of representative pictures and an explanation of the process used by Brady and other war photographers is available in the bank's savings department.

How to Get More Business

THAT was the theme of the 1961 one-day regional conferences sponsored by the Financial Public Relations Association in Des Moines, Oklahoma City, and Phoenix. BANKING'S occasional reporter, George M. Wasem, vice-president of the Commercial National Bank, Peoria, Ill., covered the Des Moines meeting for us. Here are some of the ideas he jotted down.

DIRECT MAIL ADVERTISING. F. R. Collins, direct mail division, Reuben H. Donnelley Corporation, Hinsdale, Ill., noted that this medium is comparatively expensive ("most mailing pieces are going to cost you at least 8 cents each"). Therefore it must be selective. Use it as a rifle against prospects rather than blasting away with a shot-gun. It's the most selective of all media, because it allows you to pinpoint your active prospects and to reach them without the waste of contacting non-prospects. Direct mail is also the most flexible advertising medium. "You can make it any size and fold it any way. It allows full use of color. The specifications of other media are more limited."

RADIO ADVERTISING. William J. Connelly, sales manager, radio station WBBM, Chicago, asked: "How is radio used to sell bank services?" His answer was that every radio commercial has a "front-page position" for every listener and reaches him when he is most receptive to the message. Type of program depends on what kind will reach the greatest number of customers and prospects, the nature of the audience you want to reach, and whether the station or stations in your town attract those audiences.

OUTDOOR ADVERTISING TIPS. James F. Quinn, Edward H. Weiss & Company, Chicago, offered several rules for advertisers: design copy for a fast-moving audience; keep copy short; use bold color contrasts; use familiar words and illustrations; and arrange all elements in copy from left to right.

SELLING NEWCOMERS. Guy W. Steagall, assistant vice-president, Harris Trust and Savings Bank, Chicago, reminded that sources of information about newcomers to a community include "Welcome Wagon," moving companies, chamber of commerce, utilities, credit bureau and real estate companies. The most effective way to reach new people is by personal contact—the call, for instance. Direct mail is a good medium, too.

SELLING THE FARMER. William Buxton III, president, Peoples Trust & Savings Bank, Indianola, Iowa, suggested the most important approach is to "offer the farm customer a complete financial package." This is the best weapon against governmental agencies and other financial institutions. Too many banks are only glamorizing the old services.

NEWSPAPER ADVERTISING. George H. Dempesy, director of public relations, American National Bank and Trust Company, Chicago, suggested that the total advertising program should always be in mind. A single ad is worthless: it should be a part of a plan. Imaginative scheduling can often overcome the disadvantages of a limited ad budget.

FPRA Officers Panel

OFFICERS of the FPRA participated in panels at the regional meetings. President Jordan J. Crouch, vice-president, First National Bank of Nevada, Reno, was the moderator.

First Vice-president John P. Anderson, vice-president, First National Bank of Passaic County, N.J., urged financial institutions to publicize the achievements of staff members. "We are not trying to popularize bricks and mortar."

Second Vice-president Ernest G. Gearhart, Jr., vice-president, First National Bank of Miami, Fla., said call programs should be given equal priority with other important executive functions.

Third Vice-president Harold W. Lewis, vice-president, The First National Bank of Chicago, thought this was "no time to make advertising the scapegoat of any retrenchment program." When things get a little tough, he added, a sound advertising program should be emphasized.

Treasurer Robert A. Bachle, vice-president, National Boulevard Bank of Chicago, advocated efforts to sell more services to present customers. "Sometimes we direct too much time toward the solicitation of new customers."

President Crouch pointed to a "common error in the public's thinking"—a belief that all mark-up is clear profit. "It's time businessmen began to let the public know that, on the average, industry considers itself fortunate to clear half as much in profit as what the people seem to feel is fair."

FPRA School Adds to Faculty

SEVERAL new members join the faculty of the School of Financial Public Relations when it convenes July 9 on Northwestern University's Chicago campus for the 14th annual 2-week session.

Daniel R. Lang, dean of Northwestern's Evening Division, will be educational advisor, a new post, and also teach letter writing. Reginald G. McHugh, a management specialist, will teach salesmanship and sales management. Frederick J. Blake, vice-president, Central National Bank of Cleveland, will lecture on business development.

G. Robert Gadberry, vice-president, Fourth National Bank and Trust Co., Wichita, Kans., will instruct in community relations; William V. Haney, Northwestern, will teach semantics; Gordon M. Malen, assistant vice-president, First National Bank, Minneapolis, advanced advertising; Doyle McKinney, also of Northwestern, effective speaking; Robert Lindquist, vice-president, Harris Trust & Savings Bank, Chicago, director of the school, public relations and management policy.

The school is conducted by the Financial Public Relations Association.

PPG HERCULITE Doors with handle-operated PITTCOMATIC Door Openers in the First American State Bank, Wausau, Wisconsin. Architects: Foster and Yasko, Wausau, Wisconsin. Contractor: The Wergin Co., Inc., Wausau, Wisconsin.

PITTCOMATIC® adds the light touch to door opening

A light touch on the bar of one of these handsome doors opens it instantly. There's no struggle for a customer to get in at the First American State Bank, Wausau, Wisconsin. Banks are modernizing for customer convenience with cheerful, inviting entrances.

The PITTCOMATIC Door Opener has a smooth hydraulic action. It's carefully regulated from open to close allowing plenty of time to get in. And the door can be stopped at any point in its swing. It's completely safe.

There is a snubbing action, too, that slows the door an instant before it reaches extreme open. The closing cycle is free of power and is controlled by safe checking devices. If the power fails, doors can be operated manually.

PITTCOMATIC Automatic Door Openers may be installed with mat controls, handles or remote controls, on any of PPG's three types of doors: TUBELITE® aluminum framed doors with glass panels; HERCULITE® Tempered Plate Glass Doors and WEST Tension Polished Plate Glass Doors, the last two with aluminum, bronze or stainless steel frames. Installation is easy, even on remodeling jobs. For more information, contact your PPG branch or distributor or write for our PITTCOMATIC booklet today. Pittsburgh Plate Glass Company, Room 1185, 632 Fort Duquesne Blvd., Pittsburgh 22, Pa.

PPG® **Pittsburgh Plate Glass Company**

Paints • Glass • Chemicals • Fiber Glass

In Canada: Canadian Pittsburgh Industries Limited

Top honors for farm advertising to Security First National Bank's San Joaquin Valley (Calif.) Division from the National Federation of Advertising Agencies. *Left to right,* displaying award, are: Donald V. Upton; Leland M. Brown; and Hunter Scott of the bank's advertising agency, Hunter Scott, Findley, and Lake, Fresno

News for Country Bankers

This department is edited by MARY B. LEACH *of* BANKING'S *staff*

1961 Gold Ad Award

SECURITY First National Bank's San Joaquin Valley Division received the 1961 gold award of excellence for farm advertising from the National Federation of Advertising Agencies.

Security's San Joaquin Valley Division includes 20 branch offices from Bakersfield to Fresno, in the heart of California's agricultural belt. The advertising series depicted "The Valley of Security" with photographs of the scenic expanse of agricultural land in various parts of the valley.

The institutional message was aimed at the farmer in a 5-column by 8-inch format, pointing out the fact that Security Bank has long been part of the San Joaquin Valley and, like the farmer, had vision and faith in its future. The ad series appeared in a regional farm magazine, and five daily and 10 weekly newspapers in the branch towns within the division.

Leland M. Brown is the senior vice-president and administrator of the San Joaquin Division, and Donald V. Upton is the advertising manager. Divisional headquarters are located in Fresno.

Progressive Farmer Awards

THE Waupaca County Bankers Association held its 10th annual Progressive Farmers Award Day Program in Marion, Wis. The bankers award program was initiated in 1950 by a local farmer and the sponsorship assumed by the bankers group in 1952.

The purpose of this award is to honor annually a farm family from each of the 25 townships for the progress made in their land use programs, their crop and livestock management, farm business, service to their communities, and good farm living. No attempt is made to find the best farmer or the best farm. The nominations for these township awards are made by the soil conservationist, county agent, the forester, Farmers Home Administration supervisor, game, fish, and watershed managers. This year there were 240 nominations.

Late in December local agricultural leaders met to reduce the number of nominees to five or six per township to make it possible for the judges to visit them to complete their score cards.

Judging is done by teams of three from each township; however, the judges serve in townships other than their own to avoid any possibility of partiality. The bankers give a dinner for the judges around January 15, at which time the judging teams are given instructions and assignments. Their nominees must be submitted by February 1.

After all of the township winners

are submitted, the past county winners meet and analyze the score cards and the reasons given by the teams for their choices. They then visit several farms to make their own check and they then select five township winners to be considered for the county winner. The past county winners then meet with the district supervisors and this group then selects a county winner and a runner-up. The winner receives a $50 savings bond.

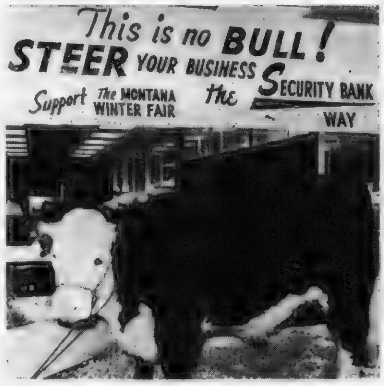
Broiler House Loans

THE First National Bank of Fayetteville, Ark., assists farmers in the construction of broiler houses for customers. John I. Smith, assistant vice-president and farm representative, reports on the bank's operations in this field:

"Broiler production in this section has been on the rapid increase—increasing by over 300% in the last five years. The investment in buildings is fairly heavy, ranging around 50 cents for each broiler. In other words, a farmer producing 20,000 broilers at a time has a building investment of approximately $10,000. In the last 12 months we have made 11 loans for $102,000, increasing the broiler capacity of these farms by 173,000. Of course, in making these loans we sometimes absorbed existing indebtednesses.

"Our over-all guiding principle in making broiler loans is the additional income a person has. Farmers producing beef cattle nearly always have additional time for attending to broilers and they have a considerable acreage of grazing land that can well use the chicken manure in the production of grass. The two phases of farming go together quite well. However, we have not encouraged dairy farmers to go into broilers unless they have ample family labor because dairying itself requires a lot of attention.

"Additional income often is earned by farmers through urban employment. We support the construction of broiler houses for people who have the ability to handle urban jobs. We do not support the building of houses costing less than approximately 50 cents per broiler capacity, as such houses often get below the minimum standards for insurance and are often broken down by snow and ice in winter. The better buildings are cheaper in the long run.



Security Bank and Trust Company, Bozeman, Mont., bought a fat steer at the 4-H Fat Stock Sale at the Montana Winter Fair and, as a public relations gesture, displayed him in the front window of the bank for three days. The steer was fitted and shown by John McIlhattan, son of a Security Bank customer

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"An illustration of the above lending is the case of John Doe, who milks 35 cows. He borrowed an additional $10,000 this summer to put in a house for 20,000 broilers. The profit on his first flock, sold in December, was $900. He expects to produce four or five batches per year. His loan was for $20,000, which absorbed a previous debt of $10,000. He expects this broiler house to not only pay for itself but to pay for the previous indebtedness of $10,000."

4-Point Farm Program

THE Farm Department of The National Bank of Dover, Dover, Ohio, offers a number of valuable customer services, including these:

(1) E. L. Bowers, vice-president, is a member of and publicity secretary for the Tuscarawas Valley Polled Hereford Association and the Eastern Ohio Aberdeen-Angus Breeders Association, both of which extend over 10 to 12 counties. This gives him an opportunity to work with both at their annual sales and with several of their officers in connection with their personal affairs. "We have gained several accounts because the bank was interested in both associations and was willing that I should promote Hereford and Angus breeds," writes Mr. Bowers.

(2) The bank offers a soil testing service to all in the community, free of charge. Samples of soil are sent to the Soil Testing Laboratory of the Ohio State University for testing and for fertilizer and lime recommendations. "This service," said Mr. Bowers, "is valuable to both farmers and non-farmers alike, as we have city people who want their lawns and gardens tested."

(3) Mr. Bowers has an 8-minute radio program on Monday, Wednesday, and Friday of each week, a public service program over Station WJER, Dover. He has the privilege of announcing bank services at no cost to the bank. He uses the program to remind farmers of things that should be done at a given time and if there is a service the bank can perform he mentions it on the air. On alternate days, the station makes spot announcements about the farm program, thus giving the bank a 6-day publicity program.

(4) Mr. Bowers cashiers farm sales and at the end of the day deposits the proceeds in the bank, thus relieving the customer of overnight responsibility for the money. This often results in the opening of new accounts.

Arkansas BA's Booklets

THE Agricultural Committee of the Arkansas Bankers Association, in cooperation with the Division of Agriculture of the University of Arkansas, recently produced two factual publications on the state's agricultural industry.

The first of these is *The Geography of Arkansas Agricultural Production and Processing Industries*, which tells the story of the state's cotton, feed, poultry, soybean, rice, livestock, fruit and vegetables, dairy, and timber industries by means of statistical maps.

The second is a folder entitled *Agriculture Is Arkansas' Biggest Business*. It tells about the state's farms as a market for manufactured products and as a producer.

William E. Drenner, president, The City National Bank, Fort Smith, is Agricultural Committee chairman.

An Aerial Field Trip

AN aerial land tour of central New York will be a special feature of the New York State Bankers Association's Bankers School of Agriculture this year at Cornell University from July 30 to August 4, according to *The New York State Bankers*.

The aerial field trip will permit bankers to see some 5,000,000 acres varying from the acid hills of the

plateau country to the high lime soils of the central plains and the tilted but highly productive fields of the escarpment country.

The field trip will be one of several such extensive tours of the countryside which will permit bankers to see first hand various aspects of farm business and practice.

Other trips will supplement daily instruction in farm management, agronomy, marketing, animal husbandry, farm appraisal, accounting and the economics of farm machinery —capital investment in machinery required for different types of farming.

Bank Honors Steer, Owner

THE Grayson County State Bank of Sherman, Tex., recently honored the Grand Champion steer and his owner following judging of the 1961 Grayson County Junior Livestock Show.

Prince, 980-pound Hereford steer was judged Grand Champion from a field of sixty fine calves at the Grayson County Junior Livestock Show. Grayson County State Bank purchased Prince at auction for $539 (55 cents per pound) and in order to encourage Mike Booher, 16-year old Whitewright FFA boy who raised him, brought Mike and Prince into the lobby of the new, ultramodern bank for a full day's display. A white picket fence 8′ x 8′ was constructed for the event and several hundred people passed through the bank lobby during that day visiting with Mike and complimenting him on his prize steer. According to President Charles A. Spears "the purchase served to give deserving young men and women of Grayson County an additional incentive in their agricultural program."

Prince, after approximately 13 months' continuous training by his young master, was as docile in the bank lobby as a blue ribbon winning poodle pup. The event was widely covered by press media and was termed a success by everyone attending.

Farm Census Figures

OF 102,231 U. S. farms with annual sales of products valued at $40,000 or more, 14,586 or 14.3% are in California, 11,562 or 11.3% are in Texas, and 8,129 or 8% are in Iowa, according to the Census Bureau. The 3-state total represents one-third of these larger farms in the nation.

The 1959 census counted a total of 3,707,846 farms in the 50 states, of which 2,415,234 were classified as commercial farms, 885,239 as part-time farms; 404,264 as part-retirement farms; and 3,109 as abnormal farms.

Nat'l Farm Safety Week

PRESIDENT John F. Kennedy has called upon the people of the United States to observe the week beginning July 23, 1961, as National Farm Safety Week. He reminds all farm residents that safety is a family affair, and urges all persons and organizations interested in the safety of farm people to participate in this special endeavor to reduce farm accidents.

The Department of Agriculture and the National Safety Council are cosponsors of the observance in cooperation with the state agricultural extension services, farm organizations, the farm press, radio, television, banks, and other groups.

Agri Research, Inc., Born

JACK W. DUNLAP, president of Dunlap & Associates, Inc., of Stamford, Conn., a research and counseling group, has announced the organization of Agri Research, Inc., Manhattan, Kans.

Agri Research will specialize in research for both commercial enterprises and government agencies. The firm's vice-president, Dr. Phil S. Eckert, formerly dean and director of the College of Agriculture and Agricultural Experiment Station at the University of Arizona and more recently Agricultural Attaché at the American Embassy in Bonn, Germany, will direct the affairs of Agri Research. Maurice Johnson, vice-president, First National Bank, Kansas City, is a member of the board of directors.

Prince, grand champion steer, with his young master, Mike Booher, in the lobby of the Grayson County State Bank

CCC Rate Cut to 2½%

IN order to bring the rate of interest payable on certificates of interest issued by the CCC more in line with current rates on comparable short-term Government and Commercial borrowings, the U. S. Department of Agriculture announces that the certificates will earn interest at the rate of 2½% annum. The decrease took effect on May 28.

The rate on 1960 crop certificates was 4% through July 31, 1960, and 3¼% after August 1, 1960.

Food Stamp Plan Launched

A FOOD stamp program to be tried out on a pilot basis in eight areas of chronic unemployment throughout the country has been announced by Secretary of Agriculture Orville L. Freeman.

Commercial food marketing channels will be used under the stamp program to get additional food to needy families. The pilot project areas are: Franklin County, Ill.; Floyd County, Ky.; Detroit, Mich.; Virginia-Hibbing-Nashwauk complex in northern Minnesota; Silver Bow County, Mont.; San Miguel County, N. Mex.; Fayette County, Pa.; and McDowell County, W. Va.

For further details, write Howard P. Davis, deputy director, Food Distribution Division, Agriculture Marketing Service, U. S. Department of Agriculture, Washington 25, D. C.

Extension Offers Farm, Home Management Programs

THE objectives of a pilot Farm and Home Management Finance Program conducted in McDonough and Vermilion counties, Illinois, by the Cooperative Extension Service in Agriculture and Home Economics, University of Illinois College of Agriculture, Urbana, were to:

(1) Train and provide information to local leaders in farm and family financial management; (2) help farm families develop means of determin-

(CONTINUED ON PAGE 78)

Added farm income, created through the teamwork of Banker Riley (right) and Purina Dealership Partners Folsom and Daniel (standing), has brought new business to Wilson.

"OUR TEAMWORK WITH OUR PURINA DEALER ADDS A MILLION A YEAR TO FARM INCOME"

—says BRUCE W. RILEY, Executive Vice-President, First Union National Bank, Wilson, N.C.

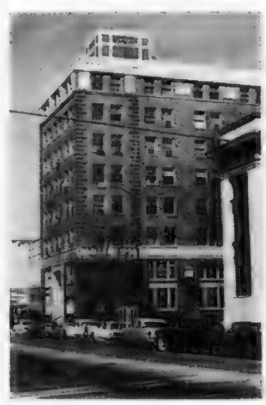
Farmers within a 25-mile radius of Wilson take in more than a million dollars a year as a result of teamwork between First Union National Bank and Bailey Feed Mill, Purina Dealership in nearby Bailey.

This teamwork began in 1952, when Charles Folsom and Thomas Daniel went to the Bank to get financing for their Purina Check-R-Mix mill. Banker Riley, knowing the volume of local grain production and realizing the value of Check-R-Mix service to the area's growing animal agriculture, financed the building of the Bailey plant. He saw this Dealership grow into one of the Bank's best customers . . . saw it expand and add a mill at Rocky Mount.

Banker Riley, who also has financed two other Purina Dealers, says: "Based on our experience, the Purina Dealer is a good teammate. Our teamwork with Bailey Feed Mill has encouraged farmers to raise livestock and poultry. This, in turn, has brought new industry to Wilson."

* * * *

First Union National Bank has financed much of the growth of animal agriculture around Wilson. In the beginning, this was done mostly through the Dealership, but a great deal of the financing now is done direct with growers. The Bank, which has had no losses on feeder financing, considers the Dealership's work with farmers to be extra protection for its loans.



QUALITY SERVICE

PURINA... YOUR PARTNER IN SERVING ANIMAL AGRICULTURE

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ing their financial needs and ways to meet them; and (3) develop means by which the program will be recognized in the community and provide for participation by local representatives of lending agencies.

All of the farm leaders in each county endorsed the program and cooperated with the farm and home advisers in promoting farm family participation. In McDonough County, 29 families enrolled and 27 completed; in Vermilion County 29 families completed the program.

John H. Crocker, chairman of the Agricultural Committee of the American Bankers Association, referred to this pilot program recently and stated: "The project has considerable merit and the early results . . . indicate its wide acceptance. We solicit the cooperation of state and county banking associations in furthering this program in other areas."

While speaking on "New Trends in Extension Work," Dr. E. T. York, Jr., commented:

"We hear much these days about the problem of economically depressed rural areas. This problem is usually centered in areas of small farms where farmers generally have too little land or other productive resources to make more than a subsistence level of living, if that, out of agriculture alone. We find in many of these areas abundant human and physical resources . . . which could contribute greatly to economic development if properly employed.

"Extension is in a position to make a very significant contribution to the economic development of these areas. We have been working on a pilot basis to expand our efforts in some 30 states and Puerto Rico. . . . Extension can continue to serve a very important function in these efforts."

FFA Award Banquets

The top 10% of 3,700 Future Farmers of America studying vocational agriculture at 73 northern California high schools received the annual Wells Fargo American Trust awards at a series of eight banquets sponsored by the bank during April.

The banquets climaxed the 1961 FFA Farm Program Competition, sponsored by the bank for the ninth year in cooperation with the State Bureau of Agricultural Education, the FFA, and the high schools.

Eight more banks profiting from IBM MICR* Equipment

Highly Productive Operations Today. These eight progressive banks are among the many which have IBM MICR installations working in high gear. Their IBM Reader-Sorters read data directly from magnetic ink-inscribed checks and deposit slips . . . process documents of many different sizes and thicknesses . . . sort them automatically at speeds up to 57,000 an hour.

Major Step Toward An IBM Total MICR Banking System. In addition to high-speed document sorting, an IBM Reader-Sorter will feed information directly into an IBM Data Processing System. Result: automated demand deposit and transit become a practical, profitable reality. To minimize programming and conversion costs, IBM offers a free Programmed Applications Library to its demand deposit accounting customers.

Get in touch with the Banking Representative at your local IBM office. He'll be glad to show you how your bank can benefit from an IBM MICR System.

**Magnetic Ink Character Recognition*

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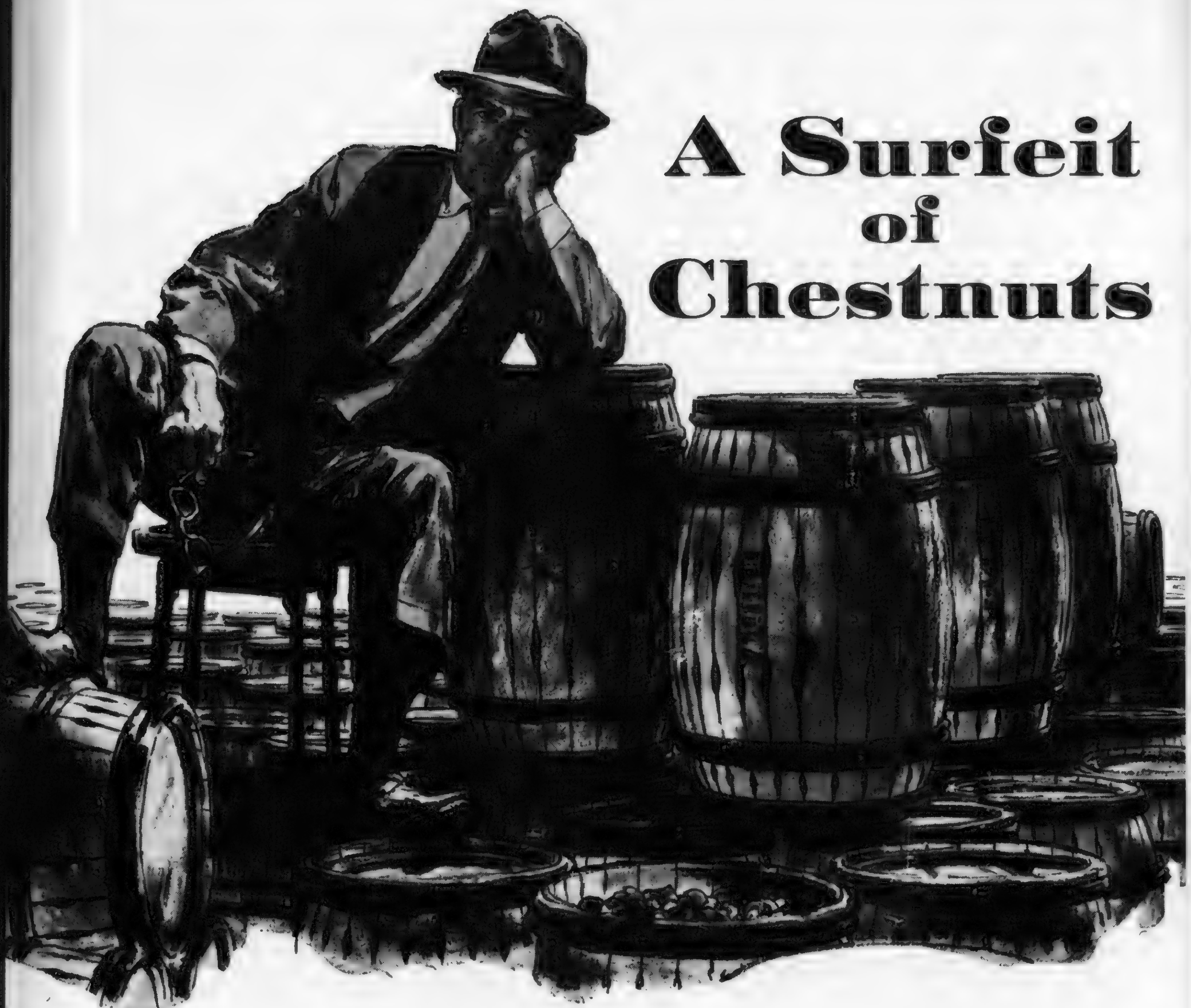
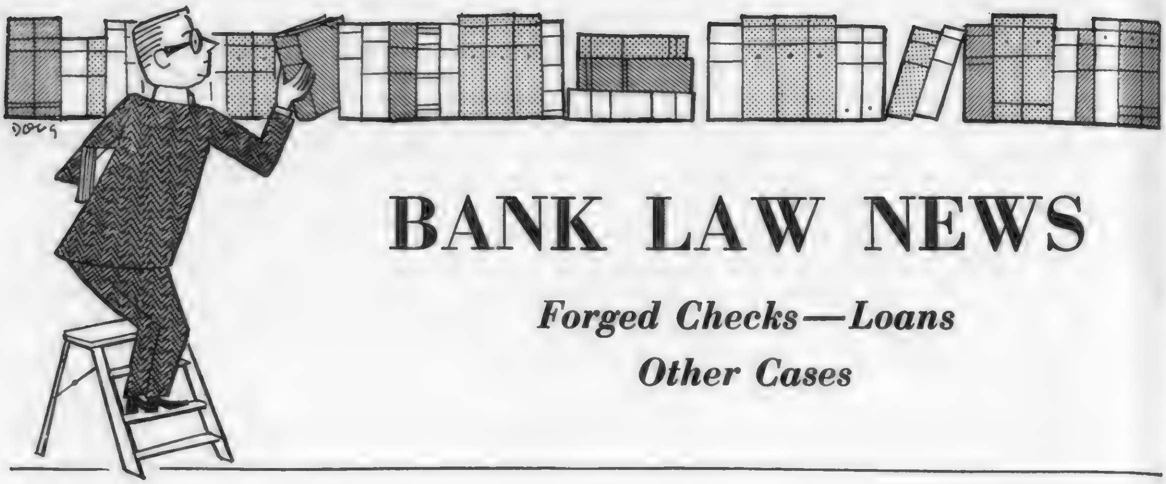
DATA PROCESSING





BANK LAW NEWS

Forged Checks—Loans Other Cases

Altered checks

Where drawer brought action against drawee bank for paying altered check and bank's defense was that drawer neglected to prepare check so as to make it impossible to alter without showing evidence of alteration, court ruled that drawer is "under no such onerous duty;" he is *not* bound so to prepare a check that no one else can successfully tamper with it. Moore v. First National City Bank of New York (N.Y.S.Ct) 210 N.Y.S. (2d) 105.

Secured Transactions

Kentucky Court of Appeals rules that Kentucky statutes requiring acknowledgment and recording of a chattel mortgage and disclosure in mortgage of date and maturity of the secured obligation do not apply to a secured transaction falling within the scope of the Uniform Commercial Code. Lincoln Bank & Trust Company v. Queenan (Ky.) 344 S.W. (2d) 383.

FORGED CHECKS

Payment of Forged or Raised Check Statute of New Mexico and Washington ruled constitutional.

The constitutionality of the Payment of Forged or Raised Check Statute, which is an American Bankers Association recommended statute, was challenged in two recent cases. In each instance, the court decided that the statute was constitutional.

The recommended act provides that a bank shall not be liable for paying a forged or raised check unless the depositor notifies the bank of the wrongful payment within a specified time after the canceled check has been returned to the depositor, or after notice by the bank to the depositor that his canceled checks are ready for delivery.

The New Mexico statute, adopted in recommended form in 1923, and now appearing as Stat. §48-10-8, provides for notice by the depositor within six months. From 1923 to date, no one had challenged the constitutionality of the statute. This oversight was corrected recently when a depositor asserted that the statute was special legislation because it "selected banks out of a group of drawees to give them a special limitation of action that applies only to one class of commercial paper, i.e. checks." This, said the depositor, constituted a violation of Art. 4, §24 of the New Mexico Constitution, which provides that the legislature shall not pass special laws with respect to limitations of actions.

In rejecting the depositor's contention, the New Mexico Supreme Court said that the legislature may enact statutes which apply only to limited subjects or persons without having the effect of making them special legislation. Basically, the "test as to whether such legislation is general, and therefore constitutional, depends upon the reasonableness of the classification and whether the statute is general to the class it embraces, operating uniformly on all members of that class."

In this respect, said the court, the statute passed the constitutional test. It was reasonable and rational for the legislature to restrict the statute to "banks and to checks rather than to all persons who are drawees of bills of exchange and to all types of commercial instruments."

The court, incidentally, observed that many states had enacted similar statutes and that its research did not indicate that such a statute had ever been held unconstitutional on the ground urged by the depositor. Airco Supply Co. v. Albuquerque National Bank (N. Mex.) 360 Pac. (2d) 386.

The Washington statute, a modified version of the recommended act, adopted in 1917, and now appearing as Rev. Code §30.16.020, provides for notice by the depositor within 60 days afer the return of the canceled check. In this case, the depositor's argument was that the statute deprived him of property without due process of law because it departed "arbitrarily from the rule which prevailed at common law." Under that rule, the bank was liable for paying a forged check unless the depositor failed to report the forgery within a reasonable time after discovery.

The Washington Supreme Court gave short shrift to this argument. No one, said the court, has a vested interest in any common law rule. Common law rules may be changed by the legislature unless prevented from doing so by constitutional limitations. If this were not so, defects in the common law could never be

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corrected or remedied. It was the function of the legislature to determine whether, in order "to promote the orderly and efficient conduct of the banking business," the duties of depositors and the liabilities of banks should be defined more specifically than they were at common law. Having determined that a change was necessary, it was within the power of the legislature to remedy it.

Furthermore, said the court, the statute was in effect when the depositor opened its account and it contracted with the bank subject to the terms of the act. The statute, therefore, did not deprive the depositor of any right which it theretofore had.

The court also noted that since the business of banking is "of a pre-eminently public nature and is therefore universally recognized as a proper subject of legislative regulation," the enactment of the statute was a proper exercise of the state's police power. Overlake Homes, Inc. v. Seattle-First National Bank (Wash.) 360 Pac. (2d) 570.

LOANS

New Hampshire savings banks are permitted to make loans on credit of two-name paper and accept as collateral non-legal securities.

A new Hampshire statute, Rev. Stat. §387:5 IV permits savings banks under certain circumstances to make loans secured only by notes with two or more signers.

In a recent case, the New Hampshire Supreme Court was faced with this question: May savings banks, making loans which satisfy the requirements of §387:5 IV, also take as security non-legal collateral without invalidating the loan?

The bank commissioner contended that unsecured loans in the nature of notes with two or more signers are illegal if collateral not specifically authorized by the statute is taken.

In rejecting this contention, the court noted that if the commissioner's argument was followed to its logical conclusion, the result would be illogical. To use the court's language, the "rule advocated by the defendant [commissioner] means in substance that the legislature has determined that a lesser margin of safety for depositors is legal, while a greater margin is not. In other words, if a bank takes a certain minimum amount of the sort of security

included in RSA 387:5 IV, it acts properly provided the loan is prudently made, but if it takes a two-name note and additional non-legal collateral, it acts illegally. This seems an illogical result. While the courts cannot and do not attempt to compete with the legislature in matters of policy . . . yet whenever possible a statute will be construed as not to lead to an unfortunate or an absurd result . . . taking into account the practical realities of the situation, we believe it not only possible, but in accord with our law and what seems to be its basic philosophy, to so construe the statute as to permit extra collateral not listed in the statute, in addition to the minimum requirements as established therein, to be taken to secure a loan."

The court in fact commended savings bank directors for their prudence and due care in taking the additional collateral security. The court observed that in some cases, due to changes in circumstances, security for a loan, sufficient when taken, may become inadequate. In such cases, "additional non-legal collateral security may well offer a cushion to offset what would otherwise be a loss to the depositors." Peterborough Savings Bank v. King (N.H.) 168 Atl. (2d) 116.

BRIEF NOTES ON OTHER CASES

Holder in due course. Bank held not to be holder in due course of note negotiated to bank for value before maturity where 3½ months before negotiation bank had received verbal notice from maker, who was not a customer, that payee had tricked him into signing note. Decision reverses case reported in March 1960 issue of BANKING. First National Bank of Odessa v. Fazzari (N.Y. App. Div.) 212 N.Y.S. (2d) 380.

Forged checks. Where drawee bank was diligent in handling depositor's account, but depositor neglected to examine canceled checks and loss resulted solely because of this neglect, and depositor also failed to give timely notice of forgery as required by statute, drawee bank was not liable to depositor for paying forged checks. Airco Supply Co. v. Albuquerque National Bank (N. Mex.) 360 Pac. (2d) 386. See also Overlake Homes, Inc. v. Seattle-First National Bank (Wash.) 360 Pac. (2d) 570.

BANKING NEWS

4 Graduate Fellowships Awarded by A.B.A. to Ph.D. Degree Candidates

3 Men, I Woman Majors in Banking, Finance Receive $2,400 Plus

Graduate fellowship awards to four candidates for doctoral degrees in banking and finance were announced last month by The American Bankers Association. Recipients of the 1961 fellowships, each carrying an award of $2,400 plus tuition and fees, are:

Cora Louise Nelson of Chapel Hill, N. C., a student at the University of North Carolina;

Harlan Ray Patterson, Camden, Ohio, who is writing his thesis at Michigan State University;

Donald Philip Stegall, Denver, Colo., studying at Indiana University;

Glenn Audubon Wilt, Jr., Canton, Ohio, who is working toward a doctorate at the University of Michigan.

The awards are called the Harold Stonier Fellowships in Banking in honor of the late Dr. Harold Stonier, founder of the A.B.A.'s Stonier Graduate School of Banking and for many years chief staff officer of the Association. They were inaugurated three years ago to assist qualified graduate students preparing for careers in banking or university teaching in the field of finance, and to encourage research in banking and credit.

Funds for the fellowships are provided by the A.B.A.'s Foundation for Education in Economics.

Miss Nelson First Co-ed Recipient

Miss Nelson, the first co-ed recipient, earned her B.S. degree at the University of North Carolina in 1958. Now completing her third year of work toward a Ph.D. degree, she will write a thesis in the field of banking and finance.

Mr. Patterson received B.S. and M.B.A. degrees from Miami University, Oxford, Ohio, in 1953 and 1959, respectively. Since 1959 he has worked toward a Ph.D. at Michigan State University, with major emphasis on finance.

Mr. Stegall's thesis will deal with bank operation and management. He earned a B.S. degree in 1954 and an M.S. degree in 1959 at the University of Colorado.

Mr. Wilt received a B.A. degree from Occidental College, Los Angeles, in 1956 and an M.B.A. degree from Miami University, Oxford, Ohio, in 1958. He has studied at the University of Michigan since 1958.

The A.B.A.'s Research Committee and Banking Education Committee share direction of the fellowship program. Chairman of the Research Committee is Roy L. Reierson, vice-president, Bankers Trust Company, New York City. The Banking Education Committee is headed by Everett D. Reese, a former A.B.A. president, who is chairman of the board of City National Bank and Trust Company, Columbus, Ohio.

Executive Program in Business Administration at Arden House, Harriman, N.Y., Announced by Columbia U

Two sessions of the Executive Program in Business Administration will be held at Arden House, Harriman, N. Y., this summer, according to Hoke S. Simpson, director of Executive Programs at Columbia University's Graduate School of Business, New York City. The two sessions, scheduled to run from mid-June through July and from mid-August through September, will each be limited to 56 top level executives from all types of industries.

A Concentrated 6-Week Course

Now in its tenth year, the Executive Program in Business Administration is a concentrated 6-week course for senior executives, and has been specifically designed to give each participant a deeper understanding of the interrelationships and internal operations of an enterprise; to augment his understanding of both national and international economic forces that affect business; to strengthen his concepts of planning and decision making; and to develop his ability in administrative processes.

The other executive programs held annually at Arden House by Columbia's Graduate School of Business are the one-week specialized courses: the Transportation Management Program, the Consumer Credit Management Program, and the Commercial Bank Management Program.

Soundness of Marginal Farmer Funds Bill Is Questioned by Carl Bimson

Thinks More Emphasis Needed on Cash Flow and Ability to Repay

Congressional proposals to increase Federal funds for marginal farmers could have the effect of postponing solution of the farm problem, Carl A. Bimson, president of The American Bankers Association, said recently.

"Bills introduced recently in the Congress to provide additional lending authority for the Farmers Home Administration raise serious questions," Mr. Bimson told the annual convention of the South Dakota Bankers Association in Rapid City, S. Dak.

"Marginal farmers need to make fundamental adjustments in their operations. To extend easy credit without, at the same time, raising income possibilities is simply to perpetuate an untenable situation. Care must be exercised that the extension of easy credit does not become a substitute for improvement of earning capacity."

Marginal Operators Not Absorbed

Mr. Bimson, who is president of the Valley National Bank of Arizona, Phoenix, said the trend toward consolidation is not rapid enough to absorb marginal operators in the near future. The small inefficient operator, he added, currently can choose among four courses of action: expand to provide a more economic operation, diversify crops for better land utilization, grow less competitive specialty crops, or seek off-the-farm employment.

Growth in the size of the average

(CONTINUED ON NEXT PAGE)

Dr. Paul Trescott to Write Commercial Banking History for Centennial Commission

Engaged by A.B.A. Group to Write Story in Popular Style

Dr. Paul Trescott has been engaged to write a history of commercial banking in the U.S. which will serve to underscore the nationwide observance in 1963 of the centennial of commercial banking. This was announced recently by Ben H. Wooten, chairman of the Centennial Commission of The American Bankers Association, which is coordinating plans for the observance.

Dr. Trescott is associate professor of economics at Kenyon College, Gambier, Ohio. A graduate of Swarthmore College with a Ph.D. from Princeton University, he has authored numerous articles and the book, *Money, Banking, and Economic Welfare,* published in 1960.

The banking centennial book will be done in popular, narrative style with emphasis on the role of banks in the early and continuing development of the country. Substantial attention will be given current problems as well as historical events. While intended for the general market, the book is expected to have particular appeal in banking and educational sectors.

Mr. Wooten, who is chairman of the board, First National Bank in Dallas, said negotiations with a leading publisher will be concluded soon.

The Committee Members

Dr. Trescott's selection was recommended to the commission by its Book Committee of which Casimir A. Sienkiewicz, president, Central-Penn National Bank of Philadelphia, is chairman. Committee members are Gibbs Lyons, chairman of the board, The National Bank and Trust Company of Fairfield County, Stamford, Conn.; Herbert V. Prochnow, executive vice-president, The First National Bank of Chicago; L. A. Jennings, senior vice-president, Republic National Bank of Dallas; and Albert C. Simmonds, Jr., chairman of the board, The Bank of New York.

The centennial observance will commemorate the start of the dual banking system with the enactment in 1863 of the National Currency Act.

Three key figures in American Bankers Association planning for the 1963 observance of the 100th anniversary of the dual system of banking are briefed by Centennial Commission Chairman Ben H. Wooten, *second from right.* Commission plans were reviewed at a May meeting at A.B.A. headquarters in New York by (*left to right*) Dr. Charls E. Walker, recently-appointed executive vice-president of the Association; Dr. Paul Trescott; Mr. Wooten; and Leslie R. Shope, executive secretary of the commission. Mr. Shope will coordinate planning for national, state, and local observances. See Shope appointment story on page 88

Commercial Bank Case for Tax Equality Booklet Published, Sent to Members

The Commercial Bank Case for Tax Justice is the title of a 52-page booklet recently released by the Research Committee of The American Bankers Association.

The booklet includes 13 tables providing comparative information on commercial banks, savings and loan associations, and mutual savings banks. Also, chapters on these topics: "Commercial Banks Seek Tax Justice Through the Removal of Tax Inequalities Without Sacrifice of Treasury Revenues"; "By Any Reasonable Standard, There Is an Inequitable Distribution of Federal Tax Burden Among Competing Financial Institutions"; "The Problem Posed by Tax Inequality Is Relatively New and Is Becoming Increasingly Serious"; "The Original Reasons for Tax Treatment Accorded Mutual Savings Banks and Savings and Loan Associations Are No Longer Valid"; "Inequitable Tax Laws Have Contributed to the Relatively Slow Growth of Commercial Banks During Recent Years"; "Continuation of Postwar Trends in the Growth of Commercial Banks May Have Serious Implications for Monetary Policy and Economic Growth"; and "Tax Reform Must Be Effective."

One copy has been sent to each member of the A.B.A., and additional copies are available at 25 cents a copy from the Department of Printing, A.B.A., 12 E. 36th Street, New York 16, N.Y.

Carl Bimson

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farm is changing the credit needs of farmers, Mr. Bimson said, with the result that "we can expect our farm customers to look to our banks for a different type of credit."

Requests from farm and livestock customers for commercial term loans of the type banks have been providing for businesses and for intermediate term loans are likely to increase, he said.

"Perhaps more emphasis needs to be placed on cash flow and the ability to repay. Certainly with the changes which have been taking place in farm operations and in the face of a cost-price squeeze affecting everyone, we need to place more emphasis on the ability of our borrowers to pay out. The security offered or a net worth which may be substantial does not necessarily mean the borrower has the ability to repay his bank loan without selling off some, or all, of his farm property."

The A.B.A. president said banks in agricultural areas should encourage and help farmers to maintain accurate financial records and sound management practices.

W. F. Worthington and T. J. Moroney Co-chairmen of Mid-Continent Trust Meet

Conference to Be Held at Baker Hotel, Dallas, Tex., Nov. 9-10

Committee members for the 30th Mid-Continent Trust Conference, sponsored by the Trust Division of The American Bankers Association, have been announced by Robert R. Duncan, president of the division, and chairman of the board of Harvard Trust Company, Cambridge, Mass. The conference will be held at the Baker Hotel, Dallas, November 9 and 10 and the Dallas Clearing House Association will be the host.

T. J. Moroney, vice-president and senior trust officer of Republic National Bank of Dallas, and W. F. Worthington, vice-president and senior trust officer of First National Bank in Dallas, will serve as co-chairmen of the General Arrangements Committee.

Arrangement Committee Members Announced

Besides Messrs. Moroney and Worthington, the members are (all are located in Dallas unless otherwise indicated):

Arthur H. Drebing, vice-president and trust officer, Mercantile National Bank; R. R. Ferguson, vice-president and senior trust officer, Republic National Bank; Charles W. Hamilton, senior vice-president and senior trust officer, The National Bank of Commerce of Houston; Ben J. Kerr, Jr., vice-president and trust officer, Mercantile National Bank, W. P. Metcalfe, vice-president and trust officer, Texas Bank & Trust Company; David C. Reed, vice-president and trust officer, First National Bank; Clarence E. Sample, vice-president and trust officer, Mercantile National Bank; Ralph E. Scott, vice-president and trust officer, First National Bank; and John M. Zuber, vice-president and senior trust officer, Republic National Bank.

The chairmen of the various committees are as follows: *Advisory,* James W. Aston, president, Republic National Bank; *Program,* Ralph E. Scott; *Registration,* W. P. Metcalf; *Information,* John M. Zuber; *Finance,* Arthur H. Drebing; *Publicity,* David C. Reed; *Entertainment,* Clarence E. Sample; *Hotel,* R. R. Ferguson; *Meeting Rooms,* Ben J. Kerr; and *Ladies,* Mrs. W. F. Worthington.

Western Trustmen Will Hear Talks by Bankers, Attorneys, Educators, Businessmen at Seattle, July 12-14

Sixteen speakers will explore aspects of the trust business ranging from automation to taxes at the 35th Western Regional Trust Conference of The American Bankers Association in Seattle, July 12 to 14. The program was announced by Robert R. Duncan, president of the A.B.A.'s Trust Division and chairman of the board, Harvard Trust Company, Cambridge, Mass.

Trustmen from 13 states will hear, in addition to prominent bankers and attorneys, Boeing Airplane Company President William M. Allen of Seattle and Dean Joseph L. McCarthy of the Graduate School of the University of Washington.

General chairman of the conference, to be held in the Olympic Hotel, is Victor R. Graves, vice-president and trust officer, Peoples National Bank of Washington, Seattle.

The opening session will feature addresses by Mr. Duncan, by Paul I. Wren, executive vice-president, Old Colony Trust Company, Boston, Mass.; and by Robert G. Howard, deputy manager, A.B.A. Trust Division, New York. Two panels are scheduled during the conference—one on investments to be moderated by Charles W. Buek, first vice-president, United States Trust Company of New York; and a workshop panel to be moderated by J. R. Johnson, vice-president and senior trust officer, Bank of America, San Francisco.

Attendance will be from Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

NABW Announces Chairmen for Committees Arranging 39th Annual Convention

Committee chairmen for the 39th annual convention of the National Association of Bank Women in Rochester, N. Y., on October 9-12, have been announced by Marion Anderton, president of the NABW and assistant cashier, Bank of America N.T.&S.A., San Francisco.

Leah N. Woodruff, assistant secretary of the Community Savings Bank, Rochester, is the general convention chairman and Katherine G. Love, assistant trust officer, Genesee Valley Union Trust Company, is co-chairman. Beryl O. Cole, assistant trust officer, Central Trust Company, is convention treasurer.

Chairmen of the committees are: *Program,* Ruth R. Roy, assistant secretary and head of the tax department, Security Trust Company; *Registration,* Elizabeth M. Vogel, assistant trust officer, Lincoln Rochester Trust Company; *Hospitality,* M. Lois Weingartner, trust administrator, Lincoln Rochester Trust Company; *Arrangements,* Jean B. Roemmelt, assistant secretary, Genesee Valley Union Trust Company; *Printing,* Madelyn H. Sullivan, assistant vice-president, Community Savings Bank; *Publicity,* Ella DeCracker, supervisor, Credit Department, Security Trust Company; *Entertainment,* Florence M. Moran, editor of *Communique,* Community Savings Bank; and *Transportation,* Mary M. Skiff, assistant secretary, Rochester Savings Bank.

Leslie R. Shope Joins A.B.A. Centennial Commission Staff

The appointment of Leslie R. Shope as executive secretary of the Centennial Commission of the A.B.A., was announced by the Association last month.

A native of Pennsylvania, Mr. Shope was in charge of advertising and public relations of The Equitable Life Insurance Society of the U.S. in New York for the past 15 years. Prior to joining Equitable as sales promotion director in 1934, he specialized in aviation advertising.

Mr. Shope served as an Air Force colonel in World War II. He is a graduate of Neff College and did postgraduate work at the University of Chicago.

Mr. Shope is attached to the A.B.A.'s New York office. He will work on the Centennial program in collaboration with the Association's permanent staff. (See story and photograph on page 87.)

Savings

Taxation and the Savings Problem

"Taxation and the Savings Problem" was the title of an address made by Sam M. Fleming, vice-president of The American Bankers Association and of the Third National Bank in Nashville, Tenn., before the Oklahoma Bankers Association in Tulsa. Some of the important facts emphasized by MR. FLEMING *are presented here:*

THE commercial banks have been required to pay, and have paid, about 35% of net income in Federal taxes in recent years; over the same span the savings and loans have paid less than 2%—this, in spite of the fact that a considerable portion of the profits of commercial banking consists of earnings on paid-in capital, while the entire capital of the savings and loans consists of earnings withheld from distribution and accumulated without liability for taxes.

To compound the injury, a good many of the savings and loan associations boldly invade the field of banking by making—or attempting to make—their share accounts the equivalent of demand deposits.

Recalling the cautious restrictions on both quality and volume to which commercial banks are held in extending credit on real estate, it may bring a smile to your face—but should not—when you see a competitor, with practically 100% of its assets invested in real estate mortgages, advertising that it is "the policy of the association to honor requests for repayment on demand."

Summary of Four Important Aspects of the Problem

Perhaps this is a good time to summarize a few of the points I've been attempting to make thus far:

(1) The savings growth rate continues high, but funds are flowing increasingly to the high-dividend-paying savings and loan associations.

(2) International balance of payments and budgetary deficits will require the Federal Reserve Board to keep pressure on the money supply to counter inflation and prevent a further gold drain.

(3) The policy of corporate treasurers to work their funds as hard as possible will keep corporate balances at a minimum level necessary for operating need and loan support.

(4) An expanding economy will place on the commercial banking system a greater loan demand than ever before.

If we fit these pieces together, we may get a better picture of why new savings are so vitally significant to commercial bankers. We must rely on savings as a source of much of the deposit increase we will need to supply the loan funds that are so necessary if our economy is to reach its full growth potential.

The Brutal Truth About Savings Competition

The brutal truth is that unless we can compete on even terms for new savings deposits, we may not be able to meet the loan demands placed upon us. If we don't, who will? It is inconceivable to think that needed credit would not be forthcoming—and in the event the commercial banks do not have the necessary funds, then government agencies will expand like octopuses to provide them.

The question is: what can we do and what should we be doing?

Our initial objective must be the enactment, in this session of Congress, of legislation introduced by Representatives Harrison and Curtis. These bills would repeal a provision of existing law which permits savings and loan associations to pay little or no Federal income taxes. As you know, a savings and loan association at present does not have to pay such taxes until its reserves, surplus, and undivided profits reach 12% of withdrawable share accounts. Until then, all net earnings are not taxed. So long as a savings and loan association experiences a normal rate of growth, there is little chance that it will reach the 12% level.

With such incentive, the savings and loan system has resorted to higher and higher dividend payments and promotion gimmicks to push up the totals. To fail to grow each year would mean the payment of their fair share of taxes which are necessary to support our defense program, missile development, and the ever-mounting cost of Government—a responsibility which apparently they feel should be borne by others but not themselves.

This injustice of the tax differentials existing among competing savings institutions received official recognition more than a decade ago. In 1950, the Treasury Department proposed taxing the retained earnings of our chief competitors on the same basis as commercial banks—at the regular corporate income tax rate. In 1951, Congress indicated its own cognizance of the irrefutable fact that tax inequality did exist by approving a revenue bill initially designed to remedy, at least in part, this unfair situation.

This was the Revenue Bill of 1951—and all of you know what happened to it. An amendment to the original bill in effect nullified its basic purpose—to eliminate the tax immunity of savings and loan associations and mutual savings banks. We have only to glance at the results and it becomes abundantly clear that the Revenue Bill of 1951, as amended to permit the 12% reserve, has been a monumental failure in establishing anything that even remotely resembles tax justice for competing savings institutions or providing the Federal Government with badly needed receipts.

Before the bill was amended to permit the mutuals and associations large taxfree transfers to bad debt reserves, it was anticipated that at least $150,000,000 annually in taxes would be forthcoming from these in-

(CONTINUED ON PAGE 120)

· NEWS ·

Instalment Credit

"Money First" Auto Plans Growing; Rates Cut

"Get your loan approved, and then select an automobile." Sound familiar? It's typical of a growing trend in merchandising direct auto paper, encouraging the auto-buyer to arrange for his money first, which guarantees *you* the paper, no matter what the dealer may have to suggest.

Typical is a new plan announced by First National City Bank of New York. It entails the bank holding funds committed to the customer for a three-month period. The customer may then select his auto, report the necessary information to the bank, and have the money for the dealer at an hour's notice.

The buyer then does not have to pay deposit to the dealer and await loan approval, and since his finance shopping is already done, cannot be tempted into an indirect loan, a dealer-suggested bank, or finance through an automotive manufacturer's captive finance company.

Hoping to stimulate auto sales, The Madison Bank and Trust Company, Chicago, is offering a 6-month commitment plus a rate reduction. Interest charges have been slashed from $5.00 to $4.50 on $100 on a 36-month loan, along with the 6-month commitment while the shopper chooses his car. A one-third downpayment is required.

This letter of credit, feels the bank, should also serve to encourage the dealer to offer a good price to a prospect with proven credit.

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Alabama's Credit Week Sets a Pattern

Alabama Instalment Credit Week, recently sponsored by the Alabama Bankers Association, was organized by the association in a pattern that could be followed by other state associations quite easily.

The A.B.A. monthly bulletin immediately preceding the event gave these suggestions to bankers:

(1) join with other local bankers and secure a proclamation from your city's mayor; (2) order counter cards from your state association (these were sold at 1¢ apiece); (3) insert notices in regular bank ads that week calling attention to Instalment Credit Week; (4) use the week to secure brief appearances on radio and TV by locally prominent bankers; (5) have photos of the mayor shaking hands with your bank president taken for local newspapers; (6) call on local editors for editorial support for the week; and (7) schedule prominent bankers to speak on instalment credit at local clubs.

A prototype proclamation was enclosed. The proclamation stressed instalment credit's contribution to the national economy, to business activity, and to the American standard of living.

Each locality was on its own and made its own plans for celebrating the week.

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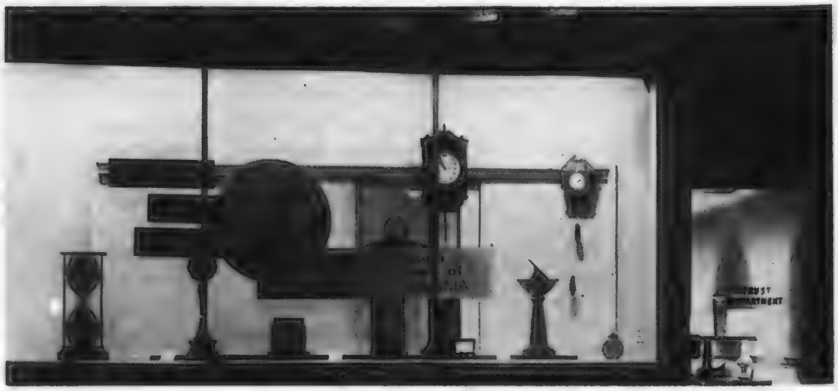
Bank of Virginia, Norfolk, carried its timely theme in TV and newspaper advertising



National Retail Merchants Association 1960-61 Credit Guide

1960-61. CREDIT MANAGEMENT YEARBOOK. Compiled by *A. Leonides Trotta.* Credit Management Division, National Retail Merchants Association, New York, N.Y. 419 pages. Answers credit problems faced by members of the retailing professions. Covers sales promotion of charge accounts; how to evaluate and set up profitable charge operations; automation; operating techniques; cutting costs in five parts of a charge operation; small store problems; collections; teenage credit; credit bureaus and more.

· NEWS ·

Money May Go Out of Style

Bankers dealing in credit may be the only consumer bankers left in business if a *Management and Business Automation* prediction comes true and money goes out of style.

Basing their crystal-ball gazing on a round-table discussion at a recent Business Equipment exposition in Los Angeles, the magazine opines that a "truly universal and automated credit card system" that would eliminate exchange of cash, checks, money orders, invoices, receipts and other paper is a practical possibility in this decade with only modest improvements in existing data processing equipment.

The center of the system, according to Neal Dean, partner in the management consulting firm of Booz, Allen and Hamilton, would be a "financial utility" similar to today's banks (thank heavens!) which would control each person's "fund account" on magnetic tape. Input to the fund would be accomplished by transmitting the employee's payroll record to the utility on magnetic tape. Essential data for the financial part of any business transaction would be captured by low-cost simple recording devices in stores and transmitted automatically to the financial utility where the debt obligation would be recognized, the fund charged for the amount involved, and creditors credited accordingly. Utilities and telephone service would be charged by automatic metering on magnetic tape.

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Automation Story Free

If you're considering automating your instalment credit input, you may want to read a thoroughly documented case history. Send for the story of Philadelphia National Bank's automation, told by PNB assistant cashier, Dante Caruso. Available free from Cummins-Chicago Corporation, 4740 North Ravenswood Avenue, Chicago 40, Ill.

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Low-cost Student Loan Plan Set Up Nationwide

Another source of education finance for "needy and deserving students whose families lack collateral or earning power to justify normal bank credit" has been established on a national basis. Called United Student Aid Funds, headquartered in New York, it's privately financed, nonprofit, and will be the parent organization of affiliated state committees established by citizen groups.

A central USAF fund of $40,000,000 is being raised and will activate loans totaling $500,000,000—$1 in reserve will make $12.50 available to a student. **The $40,000,000 is being sought in a national appeal to foundations and corporations, and state campaigns.**

Two Credit Schools Announced

Two instalment credit schools are set for this summer, according to *Banking Education News.*

The 10th annual session of the School of Consumer Banking, sponsored by the Consumer Bankers Association in cooperation with the University of Virginia will be held at Charlottesville, Va., August 6-8, 1961. A maximum of 100 applicants can be accepted each year. The course includes two 2-week summer resident sessions, extension work, and a thesis on some phase of consumer banking.

The National Industrial Banking School will hold its 2nd annual session at University of Colorado, Boulder, during July 23-August 4. Sponsored by the American Industrial Bankers Association, this year's session will cover characteristics of industrial banking income and management problems. Information can be obtained from Dr. Alan Brown, Director, Bureau of Continuation Education, at the University.

· NEWS · Housing and Mortgages

How to Achieve a Secondary Conventional Mortgage Market

A SECONDARY conventional mortgage market, 40-year mortgages, urban renewal, mortgages as pension fund investments, and the Government's role in housing for the lower income groups were among the topics receiving special consideration at the First National Mortgage Conference of The American Bankers Association in Washington last month. Commercial bankers from all over the nation were registered.

The conference was under the auspices of the Association's Mortgage Finance Committee, of which Cowles Andrus, president of the New Jersey Bank and Trust Company, Passaic, is chairman, and Dr. Kurt F. Flexner is director.

Point 3 in a recent 12-point Statement of Principles adopted by the Mortgage Finance Committee states:

"We believe that the secondary conventional mortgage market should be strengthened to assure a more even flow of mortgage credit and to make such mortgages attractive to investors who now do not invest in conventional mortgages. Based on an extensive study which has been completed, recommendations for accomplishing this objective are being considered by the Mortgage Finance Committee and will be released at an early date."

J. Stanley Baughman, president of the Federal National Mortgage Association, Washington, D. C., was one of several speakers who supported the A.B.A. position on the need for a secondary market for conventional mortgages.

"Basic to the success of the secondary market for FHA and VA mortgages has been the Government underwriting," said Mr. Baughman. "Perhaps some form of underwriting can be developed for at least a portion of the indebtedness represented by conventional mortgages. In the absence of some form of insurance, the mortgagor's equity—or junior lien financing, which poses further difficulties—must provide a substitute. Equity requirements would also presumably have to be uniform to some degree, with relation to pricing and interest rates, for purposes of an effective secondary market.

"There are also problems growing out of a lack of nationwide uniformity. Qualifications of appraisers, appraisal techniques, and appraisals will need to be substantially uniform so that they will be relied on equally by all secondary market institutions. Similarly, there is also the problem of forms—appraisal reports, mortgages and note forms, title evidence, and perhaps sales and servicing contracts. To the extent that standard forms, including related procedures and practices, could be developed, the acceptability of conventional loans in the secondary mortgage market would be advanced.

"Then there is the major problem of financing. No new secondary market organization could escape the effects of supply and demand conditions in the money market or of prevailing monetary policies. It would have to compete with existing institutions for the available supply of mortgage funds. . . . " He added:

"It has been recently proposed that FNMA should be given authority to function much the same as a central mortgage bank or mortgage reserve facility. Proponents of the proposal contemplate a broad expansion of FNMA's mortgage activities to include, for example, the discounting of mortgages, lending on mortgage collateral, direct loans, etc., and the issuance of both standby and firm commitments. Funds needed for these expanded operations would be met by increasing FNMA's private borrowing authority from 10 to as much as 15 to 40 times capital and surplus."

Should FHLB Provide the Facility?

Senator John J. Sparkman, speaking on the "Housing Needs and a Housing Program in the 1960s," referred to a mortgage credit study made in 1959 by the Senate Housing Subcommittee. The question was raised as to what the Federal Home Loan Bank Board could do to increase the flow of mortgage funds into home construction.

Mr. Sparkman stated:

"It opposed the establishment of a secondary market facility for conventional loans within the Federal Home Loan Bank System, reasoning that no need exists for such a facility at this time. However, it recognized that secondary market facility within the System might be advantageous in the future and submitted without recommendation a draft legislative proposal to inaugurate such a facility."

Private Industry Should Do the Job

After commenting on the fact that the record of the past few years suggests that FHA and VA mortgage financing has dwindled in importance, Dr. Hobart C. Carr, chairman, Banking and Finance Department, School of Commerce, Accounts, and Finance, New York University, stated that the facts suggest that an important further extension of home ownership depends on the improvement of the conventional mortgage. "I believe," he said, "that private enterprise should assume the principal role in such an improvement. Accordingly, my suggestions are:

"(1) That a privately owned, federally chartered and supervised mortgage guaranty company be established with adequate capital to undertake to guarantee conventional mortgages on the same actuarial basis used by the Mutual Mortgage Insurance Fund in guaranteeing FHA mortgages.

"(2) That a privately owned, federally chartered and supervised mortgage association be established with sufficient capital to purchase mortgages guaranteed by the proposed company or those insured or guaranteed by the Government and to issue

debentures, and to make a market in conventional mortgages guaranteed by the proposed company."

Dr. Carr said that "the results that might be expected to flow from the operation of these firms are (1) an improved secondary market for mortgages . . .; (2) lengthening of the list of possible investors in mortgages. . . ."

He followed up by saying that "from these results certain other notable developments might follow: (1) The liquidity of the mortgage instrument would be enhanced; (2) Mortgage funds would be more mobile between scarce and surplus areas; (3) Variations in mortgage lending may be lessened, although not eliminated . . .; (4) Conventional mortgage terms may be liberalized through the guaranty; and (5) Through this liberalization and through the operation of the mortgage association the allocation of resources to housing may be increased by making demand more effective and supply more abundant."

"How-to-Do It" Suggestions

While speaking on "Desirable Legal Changes for Creating a Better National Mortgage Market," G. Russell Clark, Superintendent of Banks of the State of New York, stated:

"Improved liquidity and marketability of mortgages would bring about a better national mortgage market. . . . I suggest the possibility of establishing corporations to issue securities against mortgages which they acquire, in the nature of collateral trusts; or of setting up regional organizations to 'rate' mortgages and reallocate them from areas with a deficiency of mortgage funds to areas with surplus funds. Perhaps this could be done within the framework of existing institutions, such as the Home Loan Bank System or FNMA, or it might possibly require entirely new organizations. . . ."

William F. Keesler, senior vice-president, The First National Bank of Boston, said, while speaking on the "Lack of a Secondary National Market for Conventional Mortgages":

"A balanced portfolio of seasoned conventional mortgage loans at a proper yield rate can probably always be marketed, although this market has rarely been tested unless under more or less forced liquidation.

"However, the very nature of an individual conventional long-term home loan which, so far as the investor is concerned, is dependent on the future value of an immovable piece of security, does not lend itself to a wide market."

Another speaker on this subject, D. C. Sutherland, senior vice-president, Bank of America N.T. & S.A., San Francisco, commented:

"In order to create a nationwide market for conventional mortgages, two things should be done: the mortgage must be made impersonal; and the ultimate security must be detached from a particular borrower or property. This is essential for geographical reasons and can be accomplished by insuring the mortgage.

"Although this in itself might be sufficient for giving the conventional mortgage marketability, there are a good many investors who prefer not to purchase mortgages but would rather buy a bond backed by mortgages. This can be accomplished if a debenture-issuing corporation is established which would buy insured conventional mortgages."

The final speaker in this group was Charles H. Robinson, vice-president, The County Trust Company,

Tarrytown, N. Y., who stated in part:

"The problems of creating such a central market are many. This will involve passage of legislation authorizing the organization of such an agency, obtaining sufficient capital to permit it to operate throughout the United States in an effective way, and then develop a market for the purchase of either loans or debentures secured by loans. The loans marketed in such a manner must be attractive to permanent investors, and this would seem to require standards of uniformity both as to the amount and term of the loan in relation to a true value of the security, and also uniformity as to credit standards that will be applied to borrowers. All of this is necessary to establish a uniformity necessary to attract the permanent investor into the conventional loan field in competition with Government-guaranteed FHA and VA loans."

The 40-Year Mortgage Evaluated by Bankers and Government Men

The 40-year mortgage was a subject of intense interest to the mortgagemen. Senator Sparkman, while speaking on the pending housing legislation, gave these views on the 40-year mortgage provisions:

"The Administration," he said, "has come up with a new financing device to attract mortgage funds into housing for low- and moderate-income families. It would liberalize the existing FHA Section 221 statute to accomplish the dual purpose of attracting mortgage funds into this type of housing, and of keeping the monthly charges down to the level the families can afford. It involves a 40-year FHA insured loan, supported with FNMA funds under its special assistance program.

"Some of the criticism against this program has centered on the 40-year term feature. I am a little surprised because the 40-year term mortgage is not new within the Federal Government. The first insurance of a 40-year mortgage was authorized in 1950 for cooperative housing, and again in 1956 for housing for displaced families. To the best of my knowledge, there has been no serious quantity of defaults under either of these programs.

"This is not a big program. It is experimental. The $750-million provided by the Administration bill will finance only about 60,000 units, hardly enough to make a dent in the housing needs. It is enough, however, to demonstrate what can be done to stimulate activity by private industry in the low- and moderate-income housing field."

Miles L. Colean Presents Facts that Are Hard to Refute

Miles L. Colean, housing economist, Washington, D. C., differed considerably with the views of the Senator on the merits of a 40-year mortgage. He stated in part:

"Taking as more or less a typical case, a $12,000 mortgage for full

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value, at 5½% interest, in which the land is assumed to cost $1,850 and the house $10,150, we find that, if the house is depreciated over a 50-year period, the outstanding amount of the mortgage exceeds the probable value of the house for 29 years. If the useful life of the house is taken to be 40 years, it will be the 36th year of the mortgage before the owner actually begins to have any equity in the property. . . ."

Continuing, Mr. Colean pointed out that "the 40-year mortgage has other inherent drawbacks. Back of the beguiling low monthly payment is a rugged interest picture. Carried to maturity, the 40-year no-down-payment mortgagor will have about 150% of the original house price in interest. The 30-year borrower will have paid a little over 100%, while the 25-year man will have paid less than 90% of the house price in interest. Looking at this another way, the 40-year borrower will, by the end of the 17th year, have paid as much interest as the 25-year borrower will pay to maturity, and as much by the 22nd year as the 30-year borrower will pay to maturity.

"In spite of this heady additional load of interest in the 40-year loan at 5½% interest, the monthly payment (plus the insurance premium) is only 8% less than that of the 30-year loan and 15% less than that of the 25-year loan. On a $12,000 mortgage this would mean that the payment on a 40-year loan would be only $5.92 less than that on a 30-year loan, and $11.29 less than that on a 25-year loan. This is a large price for a small advantage, particularly in view of the aggravated risk of loss already discussed.

"The 40-year mortgage creates difficulties that go beyond the immediate problems of borrower and lender. It has grave implications for the whole mortgage structure. Currently about 40% of the gross supply of mortgage funds (exclusive of refinancing) comes from repayments. Anything that slows down the rate of payment, therefore, slows down the total amount of funds available in the market. The 40-year mortgage is a great hogger of funds."

40-Year Mortgages Are Not a Guarantee

Carl A. Bimson, president of The American Bankers Association and of the Valley National Bank of Arizona, Phoenix, pointed out that "the average family income of $6,255 in 1960 is expected to increase to $7,000 by 1965, $7,850 by 1970, and to $8,800 by 1975.

"These estimates indicate that we will have a steadily shrinking number of prospects for really low-cost housing, and an ever increasing number of families who can afford a better home. Yet we must maintain a market for our existing housing if we are to speed up the process of upgrading home ownership. . . .

"Providing 40-year mortgage loans will not guarantee an upturn in the housing industry; very likely, it would guarantee only new slums 40 years hence. Such a move might push the problem under the rug for a few years, but in the long run it would aggravate rather than solve it."

He concluded:

"With the development of a better system of existing home disposal at a cost and on financing terms which are more competitive with those of new home ownership, and with a lowering or leveling of new construction costs, through updated building codes, new material usage, or more realistic land values, we can anticipate a sufficiently strong and continuing demand for housing to maintain a prosperous building materials and trades industry through private initiative—and without an overly liberal and expensive Federal program of crash proportions."

Government Leaders Rains and Hardy Rebut

Two Government leaders, one in the legislative and the other in the executive branch of Government, gave the 40-year mortgage a blessing:

Representative Albert Rains, chairman of the Subcommittee on Housing of the House Committee on Banking and Currency, said he thought "we have long ago settled the question of whether or not the Government should take an active role in meeting these problems. Legislation to improve housing conditions has a long history and has been repeatedly endorsed by both parties in both the legislative and executive branches of Government. The only question confronting us is the proper means of achieving our goals and the proper balances of expenditures and risks.

"To take just one example, we differ on the desirability of a 40-year loan maturity for low-cost housing. I think it is obvious that a large part of the solution to our housing problems must come from a reduction in monthly housing costs by one means or another. . . ."

Neal J. Hardy, Commissioner of the Federal Housing Administration,

Banking leaders at the final session of The American Bankers Association's First National Mortgage Conference in Washington. *Left to right,* Harry P. Bergmann, member, A.B.A. Mortgage Finance Committee, vice-president, The Riggs National Bank, Washington, and conference chairman; Louis B. Lundborg, former president, Savings Division and executive vice-president, Bank of America N.T.&S.A., San Francisco; Carl A. Bimson, president, A.B.A., and president, Valley National Bank, Phoenix; and Cowles Andrus, chairman, Mortgage Finance Committee and president, New Jersey Bank and Trust Company, Passaic

Washington, D. C., made this rebuttal to some of the objections previously mentioned to the 40-year mortgage:

"The objection has been made that a 40-year mortgage would actually cause less mortgage money to be available because it would tie up principal for such a long time. Another criticism is that the amount of interest paid by the mortgagor over the life of the mortgage would make the total cost unreasonably high. Well, consider the alternative. The families for whom these mortgages are intended often have several children. Apartment living is not always suitable, and they often have trouble finding houses for rent. From the buyer's point of view, it may be better to pay off a mortgage on a decent house, however slowly, than to pay as much, or more, in rent for a substandard house.

"Still another criticism is that amortization would not keep up with depreciation. The experts differ in their estimates of how fast the properties could be expected to lose value. FHA, of course, would not be willing to insure mortgages on prospective slums, nor would the banks, I imagine, be willing to finance a house that would not outlast the mortgage.

"The authority given in the housing bill to insure mortgages on experimental housing would provide the opportunity to study new ideas in actual building operations and could have far-reaching results in

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helping to produce better homes at lower cost. One mortgage lender has said that this could be the most important and helpful development in years."

On page 48, may be found a report on the remarks of the participants in the "Forum on Pension Fund Investments." For space reasons, excerpts from the remarks of other speakers on "Urban Renewal" and other subjects will be used in our July issue.

MARY B. LEACH

CALENDAR, 1961-62

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American Bankers Association

May 29-June 2 — American Institute of Banking, Olympic Hotel, Seattle

June 12-24 — Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J.

July 12-14 — 35th Western Regional Trust Conference, Olympic Hotel, Seattle, Wash.

Aug. 7-25 — National Trust School, Northwestern University, Evanston, Ill.

Sept. 10-12 — 6th Regional Mortgage Workshop Meeting, Dallas Hilton Hotel, Dallas

Oct. 15-18 — 87th Annual Convention, San Francisco

Nov. 9-10 — 30th Mid-Continent Trust Conference, Baker Hotel, Dallas, Tex.

Nov. 13-14 — 10th National Agricultural Credit Conference, The Statler Hilton, Dallas.

Dec. 10-11 — Committee on Credit Unions, Washington Hotel, Washington, D. C.

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Jan. 22-23 — 14th National Credit Conference, La-Salle Hotel, Chicago

Feb. 5- 7 — 43rd Mid-Winter Trust Conference, The Waldorf Astoria, New York

Mar. 5- 7 — 59th Annual Savings Conference, Hotel Roosevelt, N.Y.C.

Mar. 26-28 — National Instalment Credit Conference, The Conrad Hilton, Chicago

May 13-16 — 2nd National Mortgage Conference, Mayflower Hotel, Wash., D.C.

May 16-18 — Trust Division, 5th Southern Trust Conference, Golden Triangle Hotel, Norfolk, Va.

June 11-22 — Stonier Graduate School of Banking, Rutgers Univ., New Brunswick, N.J.

Sept. 23-26 — Annual Convention, Atlantic City, N.J.

Nov. 12-13 — 11th National Agricultural Credit Conference, Sheraton-Fontenelle Hotel, Omaha, Nebr.

State Associations

June 6- 7 — Minnesota, Saint Paul Hotel, Saint Paul

June 7- 8 — Indiana, French Lick-Sheraton Hotel, French Lick

June 7-11 — Dist. of Col., The Homestead, Hot Springs, Va.

June 8- 9 — Connecticut, Equinox House, Manchester, Vt.

June 8-10 — New Mexico, La Fonda Hotel, Santa Fe

June 8-11 — *Nevada, Sun Valley Lodge, Sun Valley, Idaho

June 8-11 — *Utah, Sun Valley Lodge, Sun Valley

June 11-13 — Idaho, The Lodge, Sun Valley

June 11-16 — Ohio School of Banking, Ohio Univ., Athens

June 11-17 — Florida, Trust Training School, Univ. of Fla., Gainesville

* Joint Meeting

(CONTINUED ON PAGE 96)

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June 14-16	New York, Lake Placid Club, Lake Placid
June 15-17	Vermont, The Equinox House, Manchester, Vt.
June 15-17	Virginia, The Homestead, Hot Springs
June 15-17	Wyoming, Jackson Lake Lodge, Moran
June 16-17**	New Hampshire, Wentworth-by-the-Sea Hotel, Portsmouth (New Castle)
June 16-17**	New Hampshire Mutual Savings, Wentworth-by-the-Sea Hotel, Portsmouth (New Castle)
June 18-20	Washington, Leopold Hotel, Bellingham
June 18-22	Kentucky School of Banking, Univ. of Ky., Lexington
June 18-23	Pennsylvania, Trust Training School, Bucknell Univ., Lewisburg
June 18-July 1	School of Banking at Williams College, Williamstown, Mass.
June 19-21	Wisconsin, Hotel Schroeder, Milwaukee
June 22-24	Colorado, Hotel Colorado, Glenwood Springs
June 22-24	Michigan, Grand Hotel, Mackinac Island
June 22-24	Montana, Jackson Lake Lodge, Moran, Wyo.
June 23-25	Maine, Poland Spring House, Poland Spring
June 23-24	New Jersey Mutual Savings, Monmouth Hotel, Spring Lake
June 25-27	Oregon, Eugene Hotel, Eugene
June 25-July 7	Michigan, School of Banking, Univ. of Mich., Ann Arbor
July 13-14	Western Secretaries Conference, Tropicana Hotel, Las Vegas, Nev.
July 16-18	Central States Conference, Chase Park Plaza Hotel, St. Louis, Mo.
July 20-22	West Virginia, The Greenbrier, White Sulphur Springs
Aug. 13-25	Colorado School of Banking, Univ. of Colo., Boulder
Aug. 20-25	Pennsylvania Summer School, Bucknell Univ., Lewisburg
Sept. 7-9	Maine Mutual Savings, The Balsams, Dixville Notch, N. H.
Sept. 14-16	Massachusetts Mutual Savings, Equinox House, Manchester, Vt.
Sept. 15-16	Fall Meeting of New Hampshire Savings Banks, Sunset Hill House, Sugar Hill
Sept. 24-26	Kentucky, Brown Hotel, Louisville
Oct. 8-13	West Virginia School of Banking, Jackson's Mill
Oct. 11-12	Nebraska, Sheraton-Fontenelle Hotel, Omaha
Oct. 12-14	Connecticut Savings Banks, Queen Elizabeth Hotel, Montreal, Canada
Oct. 29-Nov. 1	Iowa, Hotel Fort Des Moines, Des Moines
Nov. 2-4	Arizona, San Marcos Hotel, Chandler
Dec. 3-5	Southern Secretaries Conference, Hot Springs, Ark.
Dec. 10-12	Eastern Bankers Conference, Chalfonte-Haddon Hall, Atlantic City

** Joint Meeting

Other Organizations

May 31-June 3	American Safe Deposit Association, Edgewater Beach Hotel, Chicago
June 4-17	School of Banking of the South, Louisiana State Univ., Baton Rouge, La.
June 5-7	NABAC Western Convention, San Francisco, Calif.
June 11-13	Nat'l Ass'n Mutual Savings Banks, Graduate School of Savings Banking, Brown University, Providence
June 19-July 14	School of Business, Univ. of Colo., Boulder
June 28-30	National Machine Accountants Association, Royal York Hotel, Toronto
July 8-Aug. 5	Management Development Conference, Dartmouth College, Hanover, N. H.
July 23-Aug. 4	American Industrial Bankers Assn., Nat'l Industrial Banking School, Univ. of Colo., Boulder, Colo.
July 23-Aug. 12	NABAC Auditors and Comptrollers School, Univ. of Wis., Madison
Aug. 6-18	School of Consumer Banking, Univ. of Va., Charlottesville
Aug. 20-Sept. 1	Pacific Coast Banking School, Univ. of Wash., Seattle
Sept. 11-13	NABAC Convention, Conrad Hilton Hotel, Chicago
Oct. 9-12	National Association of Bank Women, Sheraton Hotel, Rochester, N. Y.
Oct. 9-12	National Association of Supervisors of State Banks, The Dunes Hotel, Las Vegas, Nev.
1962	
May 6-9	Nat'l Ass'n of Mutual Savings Banks Annual Conference, Olympic Hotel, Seattle, Wash.

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

DECEMBER

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Future Trends in Trusts and Government

Trustmen Explore Many Facets at Southern Conference

THIRTEEN states were represented by bank trust officers at the Fourth Southern Trust Conference of The American Bankers Association in Jackson, Miss., last month.

Noel Mills, vice-president and senior trust officer, Deposit Guaranty Bank & Trust Company, Jackson, was the general chairman. Banks and trust departments in Jackson and Vicksburg, in cooperation with the Mississippi Bankers Association, were hosts to the trustmen.

Robert G. Howard, deputy manager, A.B.A., and secretary, Trust Division, presided at the first session.

Excerpts from several of the addresses are presented here (see the *Trust Bulletin* for full coverage of the conference):

Speakers at the second session of the Fourth Southern Trust Conference of the A.B.A. in Jackson, Miss.: *Left to right*, Noel L. Mills, Mary C. Smith, John Satterfield, and Guy Falk, Jr.

Summarizing his remarks on "Growth Stocks and the Life Tenant," Robert R. Duncan, president, Trust Division and chairman, Harvard Trust Company, Cambridge, Mass., stated:

"I would say that the Prudent-Man trustee must view the whole spectrum of common stocks through glasses which have no rosy tint of speculation. He must know the needs of his beneficiaries, and in the light of those needs he must decide upon an investment program which will stand the test of impartiality if it be questioned. He must nevertheless acquire in his common stock portfolio stocks which have the reasonable expectation of increasing in value while they continue to provide a living for the income beneficiaries."

Retirement Trust Funds

Guy Faulk, Jr., vice-president and trust officer, The Merchants National Bank of Mobile, Ala., speaking on the "Development and Operation of Retirement Trust Funds in Southeast Area," mentioned a survey he had made to determine the interest of banks in handling small to large amounts of retirement trust business. He commented:

"Historically, retirement plans had been funded by insurance companies. Banks were, generally speaking, not quick in determining their role in the field of retirement plans. Many banks were not sure whether their role was to act as trustee under insured types of plans, and merely hold policies, receive deposits, and pay premiums, or whether the funding by arrangements where contributions are made in cash to a bank as trustee and invested as trust funds was preferred to funding under insurance or other methods; I believe that in some areas some doubt exists today. In fact, in answering the questionnaire, three banks said that they would welcome fully insured plans, and six would welcome split funding plans, while the majority said they would accept both types of plans. As for funding promoted by mutual investment companies, only one bank would welcome such arrangements while 10 would accept."

Continuing, Mr. Faulk added:

"Although many banks have received a fair to generous share of retirement business, it would appear that the future in new trusts lies with the smaller organizations. With this in mind, we express the idea that there are many excellent organizations in the United States which are consultants in the field of employee retirement plans, both pension and profit sharing, and actuaries who do consulting work. However, I am sure you have found that it is only natural that bank customer organizations or noncustomers will naturally turn to a bank for advice in establishing pension and profit-sharing plans if the bank has developed a reputation for experience and skill in the handling of employee retirement plans. This will begin when the prospect is approached by the bank, or by an insurance company or mutual fund developer, and financial as well as other advice is requested or indicated."

"Your Trust Division and You"

"Your Trust Division and You" was the topic of an address by Mary C. Smith, assistant secretary, Trust Division, A.B.A. Among the services mentioned by Miss Smith were the division's four trust conferences; publications, including the *Trust Bulletin;* The National Trust School; and committee activities carried on by 17 Trust Division committees.

"Although the basic problems of the trust business are similar everywhere," said Miss Smith, "there is a difference in the trust business as carried on in different parts of the country—different kinds of property, different kinds of business, different state laws, and different personal characteristics. There is a real need for the trustmen of a given area to get together to discuss their mutual problems on a regional, a state, and a local basis. . . ."

Miss Smith pointed up reasons for

the Mid-Winter Trust Conference in New York which draws some 2,300 trustmen, by stating:

"Trustmen need to know something of the trust business and the men who administer it outside the local area. Men from the West can learn from those in the East, and vice versa. The same is true of the South and the North. . . . The formal program for such a conference, of course, has to be one of general interest to trustmen from all parts of the country. But the in-the-corridor conversations narrow down to the problems of individual trust institutions."

G. H. King, Jr., member, Board of Governors, Federal Reserve System, Washington, D. C., spoke on "Our New Position in the World."

"There are only two courses of action, as I see the matter," said Mr. King. "Either we assume the burden that goes with responsibility or we decide that responsibility just isn't for us and, accordingly, we abdicate our position of leadership in the world. The latter is an unpleasant thought, but it is one that we must contemplate."

Government Spending — Where To?

"Between 1930 and 1960, state and local spending increased almost sevenfold, while Federal spending multiplied 24 times," said John Satterfield, president-elect, American Bar Association, and attorney of Jackson and Yazoo City, Miss. "If military expenditures are excluded at these dates, Federal spending has still grown 12 times as large in these 30 years."

Mr. Satterfield gave some further interesting figures:

"Now I realize full well that this is an oversimplification and in some degree an overstatement. But even if adjustments are made for population increases of the last 30 years (up 45%) and changes in the value of the dollar (down 43%), the trendline of per capita spending in uniform dollars is up 160% at state-local levels and 845% at the Federal level in this period.

"If the same trend is followed in the future (and there is nothing in the past 30 years to indicate that we will slow such a trend—our actions through our representatives in Congress indicate that this trend will accentuate rather than decline)—then by 1990 one-half of the Gross National Product will be required to pay the costs of government and by 2040 the entire Gross National Product will be consumed by one form or another of government activity.

"Alarming as this is, the current governmental budget is not the gravest danger to the maintenance of our form of government nor the most powerful weapon which is being used to completely socialize the United States. An even graver threat exists through the built-in increases in the Federal debt."

Taxes: From $7.3-billion in 1941 to $92-billion in 1961

"Why You Need a Qualified Plan" was the theme developed by J. W. Cocke, C.P.A., Jackson, Miss.

"With increasing inflation a certain prospect, and tax reduction dangled in front of the overburdened taxpayer like a carrot held in front of a plodding donkey, we will find more and more need for any plan to supplement the income of the day when everyone will be on Social Security," he asserted. "To emphasize what I mean, let's take a look at the record: In 1941 the Internal Revenue Service collected $7,340,108,378 in taxes. In 1951 this figure had increased to $50,445,686,315; and this year, 10 years later, the take will exceed $92-billion. How long can this rate of increase continue? Consider also, our so-called Social Security program. We are just now approaching the period of impact from this tax at a time when the program is going through another period of having benefits greatly extended. At the present time, these taxes cost the employee and employer $144 on income of $4,800, with this amount increasing to $216 in 1969. This means that this tax alone will approximate 9% of each employee's income in eight more years if the rates are not increased in the meantime as is being advocated. Maximum Social Security tax was only $44 as late as 1950. Across the board personal taxes have increased 140% in the last 10 years. . . ."

Mr. Cocke added:

"It might be well to state that a qualified plan must qualify at all times and if not amended before the last day of any year to comply with administrative rulings or legislature changes, you may find that you automatically have a nonqualified plan. Is the nonqualified plan to be funded or nonfunded? The funded plan is excellent if you want to assure the employee that at the desired time he will find his retirement funds available; however, that is just about its only claim to excellence. Attempts to underwrite unqualified plans have frequently resulted in tax disaster. While on the other hand, the nonfunded plan is quite often only a declaration of intent, or the expression of the hope, that the employer will be making enough money at the retirement of the employee so that he can pay the employee; that is, if said employee has successfully navigated the conditions precedent, as well as subsequent, to a contract that is executory in nature."

Real Estate Investment Trust

Dr. Kurt F. Flexner, director of the Mortgage Finance Committee, A.B.A., spoke on "Real Estate Investment Trust." Among the points made by Dr. Flexner were these:

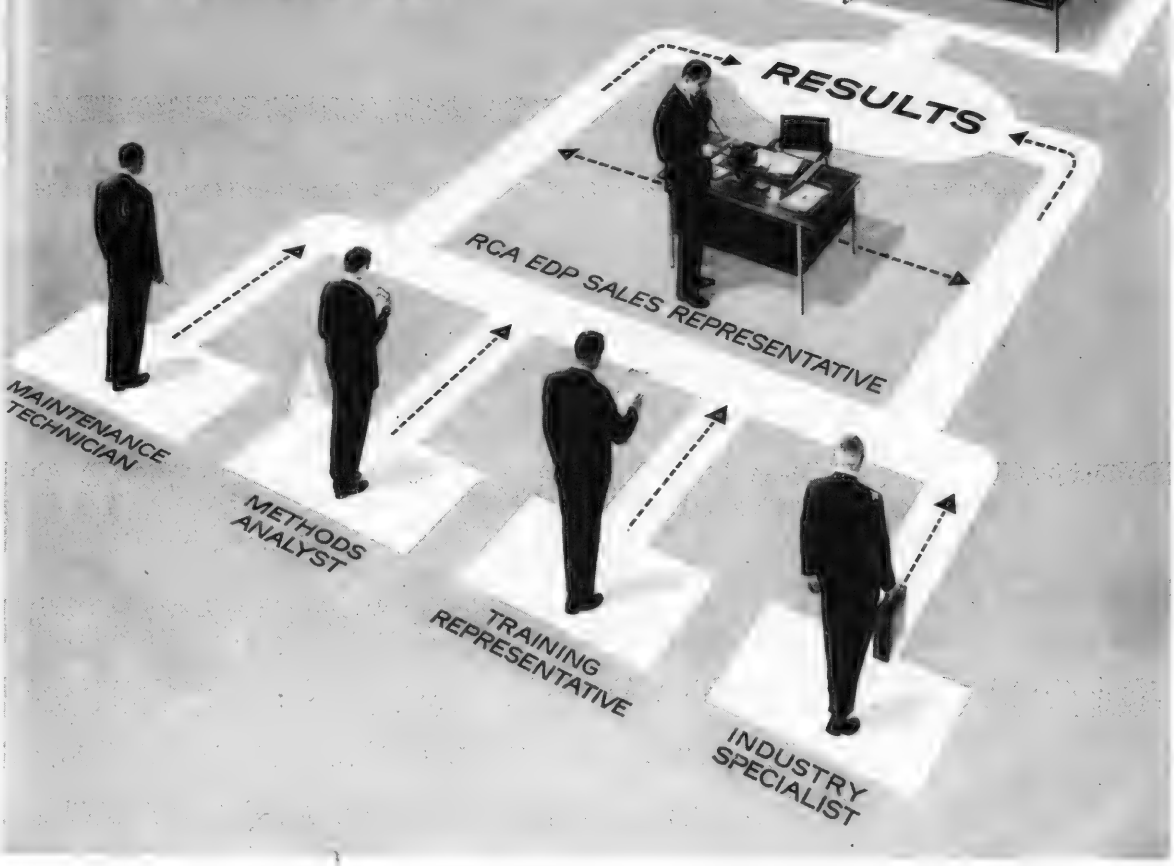
"Real estate investment trusts being of such a recent origin naturally leave a great many important questions unanswered. Banks and trust officers whose interest has been aroused should carefully analyze these problems before committing themselves to such investments. . . .

"Mortgage finance has made such great strides and the quality of mortgages has improved so greatly that the mortgage has become an acceptable investment for even the most prudent investors. We must make certain that nothing happens to impair that record. Another problem which remains at least to some extent is that the regulations of the Internal Revenue Service which will determine the eligibility of such real estate investment trusts for conduit tax treatment must be clearly understood or obvious difficulties could arise. Another factor to be considered is the profitability of such real estate trusts. The yield on such investments will be linked to a large extent to the earnings of the mortgage on which they are based. In order for such yields to be competitive with other forms of comparable risk investments, the cost of managing these trusts will have to be kept very low. Many of the charges and fees available to other forms of mortgage investors may not be possible in the case of real estate investment trusts if the collateral behind these trusts is sound."

At RCA EDP...

The Customer is at the Top

of the Organization Chart



The moment you decide on RCA Electronic Data Processing, you have a direct line to a staff of experts in every EDP area. Here's how you commandeer the all-out assistance calculated to bring you optimum data processing results:

You make your needs known to your RCA Sales Representative. He can call into action a full team of RCA specialists to help solve your particular problems. If you need expert assistance on systems and procedures . . . or a programmer to help solve a problem . . . or a mathematician to help in Operations Research . . . or skilled people to orient management and train personnel . . . all are available to see that you get the results you want. And, of course, the RCA Service Company, the world's most proficient organization in electronic maintenance, is always at hand.

RCA's firm commitment to a policy of responsiveness to customers' needs makes thorough "backup support" as much a part of every RCA EDP System as the "hardware" itself, with its tremendous *WorkPower* and unique versatility. In simple terms, it means that you get *more work per dollar* invested . . . day after day, year after year.

No matter how modest or complex your data processing requirements may be, you'll gain by talking it over with RCA. RADIO CORPORATION OF AMERICA, Electronic Data Processing Division, Camden 8, New Jersey.

RCA

The Most Trusted Name in Electronics

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IBA Holds 27th Annual Convention

Tax equality and mergers discussed

THE 27th annual convention of the Independent Bankers Association drew more than 1,000 bankers to Washington's Sheraton-Park Hotel to hear discussions of two of banking's most controversial subjects—tax equality and bank mergers. Of course, other topics were discussed at the convention, but it was obvious that interest never wandered far from these two big problems.

Bankers go to Capitol Hill

The bankers called this a "shirtsleeves" convention, and to prove that they meant business they specified an hour for delegates to call at Congressional offices all over Capitol Hill in a "crusade for tax equality." Even the wives helped by buttonholing Congressmen to give them the "grass roots point of view," e.g., support the Curtis and Harrison bills. Generally, the Congressmen were receptive, but noncommittal.

The president of Citizens State Bank of Paola, Kan., L. M. Schwartz, said that, whether commercial bankers know it or not, they are in a cold war against their competition—a war which banks are presently losing. He sounded a call for a $20,000,000 "war chest" specifically to enable banking to support certain banking programs and to pay for the advertising necessary to tell its message—often, and in bold, aggressive ways. He added that this amount is only 10% of the annual $200,000,000 now being spent by banks on all forms of advertising.

Monroe Kimbrel, chairman of A.B.A.'s Federal Legislative Committee, spoke in terms that all taxpayers can understand. If the Curtis and Harrison bills are passed, he said, they "could provide the Treasury with about $350,000,000 the first year . . ."

"Banking will merge itself to its ultimate destruction"

O. D. Hansen, then president of IBA, fired the convention's opening volley at recent bank mergers. He lashed out at last year's legislation adopted by Congress as ineffective, and called for stronger laws to check the "tidal wave" of bank mergers that is engulfing the nation.

"I am convinced that if no powerful deterrent to merging is applied," Mr. Hansen said, "banking will merge itself to its ultimate destruction." No one could have agreed more with the convention delegates than Senator Estes Kefauver, who pointed out to the gathering: "Most of the banks swallowed up in the past decade have not been the weak, unsound ones of the kind needing rescue in the depression pattern. Rather, they were strong, efficient, profitable—and competitive—plucked at the peak of their earning power." Since 1950, he said, more than 1,600 banks have vanished by way of merger and consolidation. He added that recent Justice Department actions to block bank mergers "represents a substantial—and healthy—change of attitude."

Albig, Castille, Brett – new IBA officers

New IBA officers, from left: Second Vice-president Bradford Brett, president, First National Bank, Mexico, Missouri; President Reed H. Albig, president, National Bank of McKeesport, Pennsylvania, and First Vice-president Robert J. Castille, president, Guaranty Bank and Trust Company, Lafayette, Louisiana

Recovery

(CONTINUED FROM PAGE 39)

to keep costs and prices from rising might also again generate grave doubts abroad about the future of the dollar. In essence, what I am saying is this: We simply cannot afford another round of marked wage, materials, and price inflation in the United States.

We must, therefore, rededicate ourselves, both as a nation and as individuals, to the task of keeping our economic house in order, both at home and in our international activities. Perhaps a brief list of "do's" and "don'ts" on domestic and balance of payments policy will highlight the nature of the problem and policies to cope with it.

In Fiscal Policy

Let's *do* give more than lip service to the time-tested principle that the Federal budget must be at least balanced and preferably in surplus during periods of strong and rising business activity. If we do this, inflationary pressures will be reduced and the way paved for meaningful reductions in tax rates and the construction of a more equitable tax system.

Let's *not* kid ourselves into believing that we can undertake at once *all* of the Government programs that seem desirable and at the same time *reduce* tax rates and maintain a sur-

(CONTINUED ON PAGE 104)

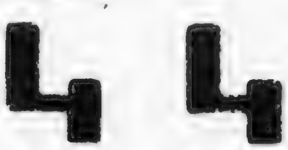
"Deposit . . . spend . . . deposit . . . spend . . . deposit . . . spend . . . deposit . . ."

What it takes to make MICR tick

Most of the trick is in getting proper imprinting of the E-13B code.

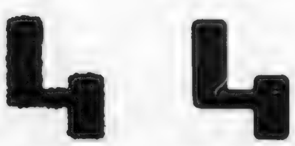
To be "readable" to the electronic equipment, a sharp, well-defined image is necessary. Each symbol must have the proper ink density and accurate figuration, thus maintaining proper signal strength at all times.

For example, all the symbols below, except the last, could be *misread* by the electronic equipment.



Too little ink

Improper coverage resulting in excessive voids



Too much ink, image spread

Right amount of ink for proper coverage

To insure proper amount of ink, every A. B. Dick Offset Check Imprinter has the exclusive Aquamatic Control. This control meters the exact amount of fountain solution to maintain the proper water and ink balance.

To insure proper ink coverage and density, each offset imprinter has a twelve-roller ink distribution system. These twelve rollers spread the ink evenly, and control the amount laid down.

The combination of these two features allows the operator to maintain the proper signal strength throughout the printing run.

fast, too

In less than three minutes, A. B. Dick offset equipment can imprint 200 checks, 40 deposit slips, plus re-order forms for each of six customers. All documents are not only personalized but encoded with E-13B MICR characters.

Collating of deposit slips, reorder forms, and checks is accomplished during this three minute running cycle.

Then the machine automatically resets itself for the next run to eliminate wasted time.

Since we have been instrumental in helping establish many MICR operations, we are thoroughly familiar with the requirements. If you or your printer would like information on magnetic ink imprinting, please contact A. B. Dick Company, MICR Department, 5700 W. Touhy Ave., Chicago 48, Illinois. Or simply return the coupon below.

LATE NEWS!

The new color sound-slide film, "Language Of The Sixties," relating the latest developments in MICR, has just been released. To arrange a private showing for the interested people at your bank, simply mail the coupon below.

A. B. Dick Company, Dept. MICR-B-61
5700 W. Touhy Ave., Chicago 48, Illinois

Gentlemen:

☐ Please see that I receive information on magnetic ink imprinting.

☐ We would like to see the new MICR sound film, "Language Of The Sixties."

*Name*__________

*Title*__________

*Bank*__________

Address

*City*______ *Zone*__ *State*____

A·B·DICK®
OFFSET PRODUCTS

(CONTINUED FROM PAGE 102)

plus or balanced budget. The notion that economic growth will pick up the tab by generating a huge increase in Federal revenues, although enticing, is yet to be demonstrated. It is merely a hypothesis—and hypotheses must be proved. Can we afford to jeopardize this nation's economic and political future on the basis of a hypothesis, especially when some of the programs advocated in the name of growth are not actually growth-producing but may well be growth-inhibiting?

In Monetary Policy

Let's *do* insist upon the continued independence within Government of the Federal Reserve System—and I mean independence in fact as well as form.

Let's *not* succumb to the tempting pleas for perpetually easy money, especially when business recovery progresses to the point where credit demands begin to rise strongly. Undue ease in credit markets, under conditions of strongly rising business activity, could both encourage a large outflow of gold and markedly reinforce inflationary pressures.

In Balance of Payments

Let's *do* take every appropriate step to expand our exports and thereby enlarge our current account surplus through export promotion, insurance and credit programs, etc.

But let's *not* try to increase our competitiveness by reducing the gold content of the dollar and thereby raising the dollar price of gold, which would be abortive and inure greatly to the benefit of Soviet Russia, the world's second largest gold producer, in addition to undermining the dollar's role as the world's basic reserve currency.

Let's *do* take appropriate steps to reduce our payments abroad, including continued efforts to gain a broader sharing among prosperous Free World nations of the military and economic programs that are so essential to Free World survival.

But let's *not* fall into the trap of attempting to reduce our payments abroad through protectionist policies, which would invite retaliation and serve only to shrink Free World trade, or through unnecessary controls over the way in which American individuals or businesses can spend their money in friendly nations abroad.

This Point Is Clear

This list of "do's" and "don'ts" in domestic and international economic policies could be extended considerably, but the point should be clear: Unless we keep our economic skirts clean—unless we, as free American citizens with the right to make our wishes known at the polling place and to our representatives in Government, insist that this nation adhere to a strict line of fiscal, monetary, and international financial discipline—then we can easily find ourselves in trouble. The prescription seems simple—that we adhere to the policy principles that the past has proved to be sound and that common sense tells us, with adjustments to meet new conditions, are appropriate for the future. It is both my hope and my conviction that we shall follow it.

MICR

(CONTINUED FROM PAGE 53)

totals and totals for the printer to include in the listings.

As an initial step the equipment totals all the incoming checks and matches this amount against the reported total. Sometimes an item slips in that has been mutilated beyond the point of "readability." When this happens, the item is automatically rejected leaving the final decision on its handling up to the operator.

Other Cause for "Rejects"

Another cause for rejection of an item by the equipment is where the printing of the code does not meet the detailed specifications that have been drawn up and published by the A.B.A. Many printers are well acquainted with these and do not find it unusually difficult to keep within the tolerances.

Next the sorter separates the checks according to the banks on which they are drawn. It usually takes two or three passes through the sorter to get them broken down into the final array. The bulk of the items that go to the few largest banks can be extracted on the first run.

In the final step, the checks for each bank are fed into the reader-sorter. These are automatically separated into batches of 250, the amount of each check in every batch is listed, the batch total is provided, and a grand total for all the batches going to a particular bank is given.

Is It Practical?

Is it practical? Let Mr. Stanton answer that question:

"This might be considered a pilot operation since we are still experimenting with the equipment and the different ways we can use it. From what I've seen, however, it looks as though MICR equipment can process checks about 25 times as fast as under the present, conventional set-up.

"Don't hold me too rigidly to that figure—it's just an estimate. But it's close enough to convince me that check mechanization through magnetic ink encoding will help meet the anticipated rise in volume, will solve the critical space and personnel problems we now face, and will increase the speed and accuracy of the service we perform for banks."

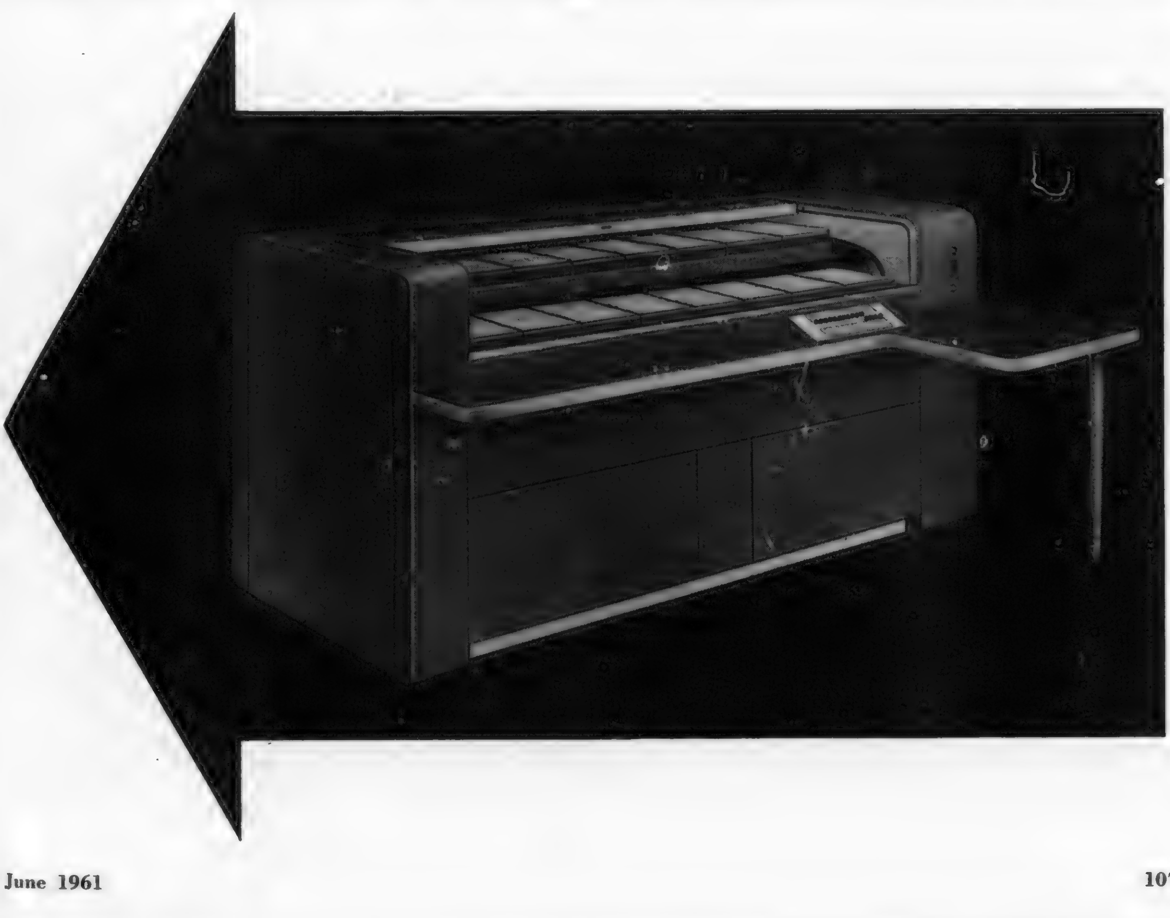
But being convinced that MICR is the most practical path toward future check handling operations represents only half of the story. The other half lies with the banker who is being urged to support the program by encoding his routing symbol and transit number on all his checks.

He's the man who has a supply of uncoded checks that he's not about to throw away. He's the one who has to worry about getting customers to encode the uncontrolled items. He's the banker who pointedly asks, "What's in it for me?"

Plan—to Avoid Waste

Of course there's not much worry about tossing out a stock of uncoded checks. With a little advance planning banks can switch to encoded checks when they're ready to order a fresh supply. In the same way, business customers can make the change to magnetic ink. And experience has shown that most businessmen are

(CONTINUED ON PAGE 110)



Buying or selling governments? Meet your investment officers at the Harris. They're as near as your phone. This is one way we help our correspondents. How can we help you?

HARRIS *Trust and Savings* BANK

Organized as N. W. Harris & Co. 1882—Incorporated 1907—Member Federal Reserve System . . . Federal Deposit Insurance Corporation
111 WEST MONROE STREET—CHICAGO 90

(CONTINUED FROM PAGE 107)
ready and willing to encode their checks—if they haven't already started to do it.

But how do you answer the banker who asks, "Why should I go to this extra trouble when it will only reduce the 'float' time I now enjoy?" He is concerned because putting the routing symbol and transit number magnetic code on all his checks may mean that they will be collected that much faster.

This is a one-sided argument because it only looks at the "float" factor as an advantage to the bank. It can also be a disadvantage to the bank, as anyone who has had experience with check-kiting can testify. The faster collection of coded items can be a strong deterrent to the occasional customer who might be inclined toward kiting.

"How can I justify the added cost of pre-printing the code on all our checks?" is another question sometimes raised.

Because of the mounting demand for magnetic ink imprinting, plus the trouble of handling two kinds of ink and check forms some printers have eliminated their premium price for the magnetic ink. If this trend continues, the banker may find himself asking how he can justify the cost of *not* encoding his checks.

"Let the Fed Do It!"

Another banker asks, "Why should I bother to encode when the Fed does it for me and I reap the benefits?" Right now the five Federal Reserve banks that are experimenting with automatic check handling are doing all the necessary encoding. But that's just to be sure there is an adequate volume of encoded checks for their programs.

The Free Ride Will End

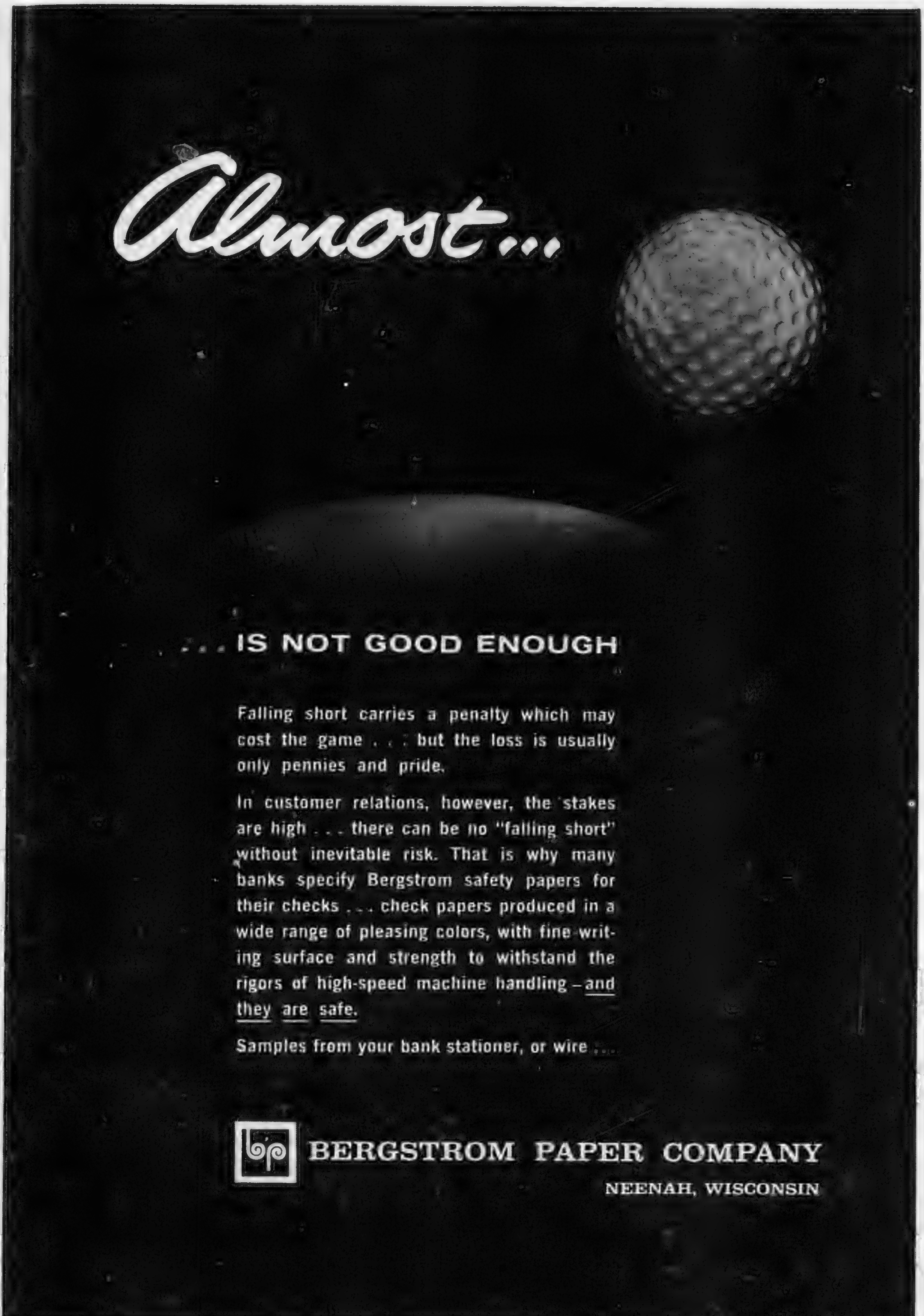
There is no reason to suppose that the Federal Reserve banks will continue to encode checks when they move to large-scale mechanization. And there is some reason to believe that such items will not reap any of the benefits of mechanization. A clue to this lies in Regulation J issued by the Federal Reserve Board. This authorizes banks to "prescribe the types of checks and other items that will be received as cash items . . . require separate sorts and cash letters, and provide different closing times for the receipt of different types or classes of cash items."

The Federal Reserve banks have spelled this out in somewhat more detail in their operating circulars in which they say: "The right is reserved to establish different closing times, and to require separate sorts and cash letters for items which we may be willing to accept as cash items and which are not suitable for processing on high-speed document handling equipment."

The Big Bonus

The big bonus for bankers will come in the form of fewer errors, faster collections, and a distinct possibility of lower costs.

Marcus A. Harris summed up the banker's problem rather neatly when he said, "The real question is not whether a bank wants to do it, or even whether it can afford to do it. The real question is when will it start encoding its checks. To date, the small banks are being just as cooperative as the large banks."


Almost...
. . . IS NOT GOOD ENOUGH
Falling short carries a penalty which may cost the game . . . but the loss is usually only pennies and pride.
In customer relations, however, the stakes are high . . . there can be no "falling short" without inevitable risk. That is why many banks specify Bergstrom safety papers for their checks . . . check papers produced in a wide range of pleasing colors, with fine writing surface and strength to withstand the rigors of high-speed machine handling – and they are safe.
Samples from your bank stationer, or wire . . .
BERGSTROM PAPER COMPANY
NEENAH, WISCONSIN

How's the Merger Going?

SINCE 1953 the Altoona (Pa.) Central Bank & Trust Co., has experienced three mergers, two of which took place in 1959. Betty E. Ingram, assistant vice-president and secretary, answered the question, "How's the Merger Going?" in a talk given at the Tri-regional Conference of the National Association of Bank Women in Boston. Her subject was, "The Gray Hairs of Merger."

"From the shareholders' viewpoint," said Mrs. Ingram, "I am certain they should be happy for, in addition to the extra shares received in the merger, the 1960 dividend per share increased and the market has advanced 15 points from the basis used in November 1959.

"From the customer's viewpoint, we get many and varied opinions. If he gets a loan or whatever he comes in the bank for, then he likes the merger. If the answer is NO, he is sure it is only because of the merger. . . .

"Most of our business customers appreciate and realize the benefits we are able to offer them as a larger bank. We are able to take care of their loan needs without seeking correspondent assistance or participating their loan with other area banks. Generally, I believe most people like to feel their bank is progressive and interested in offering new services. So, most of our customers are accepting changes we are making from time to time with good grace and understanding."

While speaking on the "personal viewpoint," Mrs. Ingram added:

"The paramount thought in everyone's mind, whether it be an officer, teller, or clerk, is 'How will I personally fare in the larger bank? Will I have to do a different job and will I like it?' This is the most natural reaction for all of us when any change is pending. We are fast learning there are not fewer, but more opportunities available in our bank for those who want to work and qualify for them. Because of the larger bank, many jobs must be segregated and developed more fully than before. New services are being inaugurated and require personnel. Plans must be made earlier to train officers and the stepping stones upward are more clearly defined now."

Boston Stock Exchange President Harry W. Besse sounded an optimistic note about the condition of the securities market. "Today's volume," he said, "when viewed against the number of shares listed, represents an annual turnover of but 12%. Ten years ago it was 23%, and 30 years ago, 67%."

At the Tri-Regional Conference of the National Association of Bank Women in Boston, national officers of the association present and participating were, *left to right:* Edna M. Hammell, vice-president, Northeastern Division, and manager, Newton Highland Branch, Newton-Waltham Bank & Trust Co.; Elsie A. Elischer, vice-president, North Atlantic Division, and assistant vice-president, Security National Bank of Long Island, Lindenhurst; Marion Anderton, president, NABW, and assistant cashier, Bank of America, San Francisco; Hilda H. Kollmann, vice-president, NABW, and director and vice-president, State Bank of Blue Island, Ill.; and Emily H. Womach, vice-president, Middle Atlantic Division, and secretary and assistant cashier, The Sussex Trust Company, Laurel, Del.

Fettered Fed

(CONTINUED FROM PAGE 58)

will thrust us headlong against the ultimate limit to the Government's capacity to borrow. For there is such a limit, even without the present restraints upon the over-issuance of money.

The definition of this limit is clearly tied in with the value of the dollar. There would be no limit to the number of dollars that the Treasury could borrow, but there would be a real limit to the purchasing power it could get. Consistent over-issuance of money would generate the familiar inflationary spiral. Inflation always builds on itself; here its cumulative character would be more apparent than ever. While the Treasury may continue to get new dollars, these dollars possess less and less purchasing power.

The Weakening Levees

The real source of concern is the fact that the twin levees of required gold reserves and determination to pay off the debt are threatening to vanish completely. With these gone, the temptation to increase the Federal debt would be powerful—quite possibly, too powerful to be withstood. Here we are in danger of repeating, in modern dress, the old drama of "resorting to the printing presses."

The Need of a Bulwark Is Growing Steadily

Clearly we need a bulwark to replace the loss of gold and the loss of fear of debt. A truly autonomous monetary authority is our most promising hope of filling this need. Such an authority could stand up and bluntly refuse to buy the Treasury's bills, notes, and bonds. But a monetary authority that lacks complete autonomy could be forced to purchase such issues by a dominant Treasury Department or an inflation-minded Congress.

These particular considerations reinforce the constant needs for an independent Federal Reserve System. The task of managing money supply calls for men who possess the maximum of technical competence, wisdom, judgment, and integrity. Further, such men should be as free as possible from ephemeral political pressures, and dependence on outside sources of income to provide them with a living.

To accomplish this, we need a Constitutional amendment setting up the Board of Governors of the Federal Reserve System on a basis analogous to that of the Supreme Court. Appointment for life, coupled with adequate reimbursement, will go far toward giving the country the disinterested monetary management that we need.

Autonomous Authority Could Still Cooperate

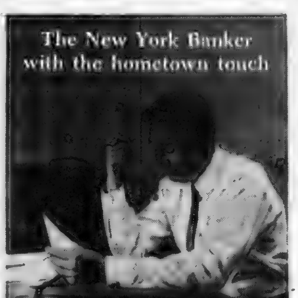
A completely autonomous monetary authority would not operate in a vacuum. It would cooperate with Congress and the Treasury, and in turn, should be entitled to cooperation from them. There is no reason to doubt that in any future war the monetary authority would yield to the leadership of the Treasury as it did 20 years ago.

On the other hand, in times more closely resembling "normal," the Treasury might well consider adopting a policy of debt retirement at a gradual but consistent rate. Further, the Treasury might consider variable interest rates on its debt obligations. This would mean that the Treasury would pay a higher rate of interest on existing obligations as the cost of living rose. Such a program would help to check inflation particularly.

Such steps as these will contribute to assuring us that the Treasury will be adequately equipped to deal with future emergencies. In the broader sense, they will help to prove that man does have the self discipline to manage his money. And of all the steps, complete autonomy of the monetary authority deserves top priority.

"I hope you aren't going to worry about our paying this loan off. I assure you we aren't going to worry about it!"

His pencil writes financial plans with a double point of view



What comes out of a pencil depends on the man who's holding it.

When it's in the hand of the man from Chemical New York, it writes financial plans for your customers with a double point of view.

It writes with a local flavor because the man at the thinking end has the hometown touch. He travels in particular regions of the country, and gets to know their problems, trends and industries firsthand.

And it writes with the know-how and financial experience that can come only from a banker based in New York, the financial capital of the world.

Why not take advantage of this unique combination of local knowledge and metropolitan experience? Call "The New York Banker with the hometown touch," and start his pencil working for you. Chemical Bank New York Trust Company, New York 15. *Member Federal Deposit Insurance Corporation*

Total banking and trust services here and abroad

Founded 1824

Chemical Bank New York Trust Company

8 Ways to Win

(CONTINUED FROM PAGE 45)

• Sell the advantages of "automatic," systematic savings by way of monthly transfer from checking account to savings.

• Extend newer types of savings accounts, such as bank-at-work, payroll deductions, no pass-books, deposit coupon books, and sav-o-matic.

• More intelligent use of premiums.

• Improve interest payment to 3%, change periods from semi-annual to quarterly, compute interest from first of the month on new deposits, and figure daily interest.

Surveying of mutual savings banks brought agreement on several points, such as the need for more and better promotion, sales training of employees for more personal selling, "package" merchandising, planned savings for specific purposes, and improved marketing methods.

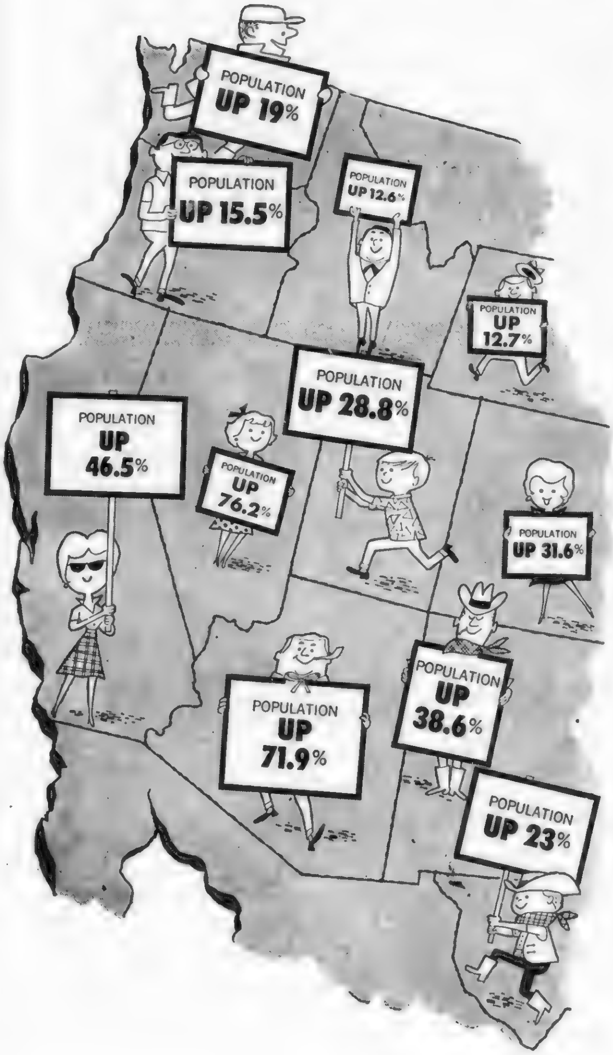
A Look Ahead

The average family yearly income should move up from today's $7,900 to $9,550 by 1970, according to the economists. With the percentage of savings to disposable income running fairly constant between 6 and 7%, it is clear that the savings market will continue to grow in a big way in the years immediately ahead.

If the banks are to get a larger share of the expanding consumer savings, however, they will have to reverse the present decline in their proportionate share of the market. One of the ways this can be done is to recognize that the consumer savings operation must become as important as any other department of the bank, and action must now be taken to compete more aggressively for the saver's dollars.

The stakes are high and competition keen, but the opportunity is bright.

The West rockets ahead with
more and more energy
from natural gas



Ten-Year Population Growth Figures from U.S. Census, 1950 and 1960.

Growth and expansion continue to be the two big activities in the West—both for the people who live and work and play in this booming region, and for El Paso Natural Gas Company which supplies natural gas to so many of them for so many purposes.

Much of the story in detail is in the Company's Annual Report for 1960, just out.

The growth part of the story for El Paso, in a sentence:

In 1960, El Paso furnished customers in 11 Western states more than 1¼ trillion cubic feet of gas—an all-time record and over four times as much as was delivered just a decade ago.

The growth story in the 11 states is a climb in population to a total of 35,718,636 (1960 census), up 33.9 per cent in the past 10 years and still rocketing.

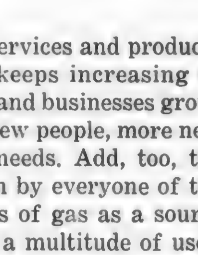
As for expansion—

Demand for El Paso's services and products by long-time customers keeps increasing as families and communities and businesses grow. Then add the millions of new people, more new businesses and all their needs. Add, too, the ever-increasing realization by everyone of the economy and conveniences of gas as a source of dependable energy for a multitude of uses.

And El Paso is expanding to meet this need. To supply its customers—including such growth areas as California—it has developed the most diversified gas supply of any company in the nation. Today, El Paso's pipelines are connected with the principal producing areas of the West and Southwest, in addition to vast reserves in Canada.

The Company's Annual Report reviews a number of important projects recently completed, and reports progress on others from Canada to the Mexican border.

For copies of El Paso's 1960 Annual Report write to: El Paso Natural Gas Company, El Paso, Texas



EL PASO NATURAL GAS COMPANY

El Paso Natural Gas Company provides natural gas to industrial customers and distribution companies in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Utah, Washington, West Texas and Wyoming.

College Day

(CONTINUED FROM PAGE 54)

larger banks, which have their own individual recruitment booklet, have purchased ours to supply their calling officers and correspondent banks. Only a limited number of the 10,000 copies remains. However, with very slight changes the booklet in its present form will be usable for at least four or five years and, if demand warrants, a re-run could be made at a substantially lower unit cost.

Everybody Satisfied

College Day conferences have already been conducted in more than 30 reserve cities and are scheduled for another seven or eight cities within the next few weeks. Reports are flowing in from various parts of the country. Without exception they express satisfaction with the results and a desire to repeat the meetings after a proper interval. Some still feel every three years is right, others favor a meeting every two years. A tendency is noted to trim down the agenda a bit to make the conference more compact. Some have eliminated such features as bank tours to allow more time for open discussion periods, which have been popular and productive. The variations in programs have been numerous. Some meetings have drawn on senior officer talent to present high-level talks on general banking topics of interest and importance. Others have concentrated on the more specific topics of recruitment, management training, career opportunities, and employment conditions. All have featured talks by trainees and younger officers as proof of the fact that we practice what we preach.

The Results

What does the program seem to be accomplishing? Based on direct observations of our meeting in Detroit and a careful review of reports from other cities, large and medium-size, it appears that the *primary purpose of improving recruitment is very well served.* In addition, college officials—professors, deans, placement officers who occupy positions of influence with students—have been given a much clearer understanding of opportunities and rewards in banking. Bankers in turn have become better acquainted with the educators and their problems. Self-appraisal is generally worth while and the individual bank has been assisted in evaluating its own position by comparison with the practices of other progressive institutions. In short, there seems ample reason for continuing the College Day Program on the right basis.

Trained Men

(CONTINUED FROM PAGE 55)

vary in length from two or three days to more than a week. It should include an exposition of what is expected of each participant, the bank's personnel policies and operating procedures, fringe benefits, management objectives, bank organization and key personnel, sales, advertising and public relations programs, and the bank's place in the community.

ROTATION. This is the longest part; the survey showed that 12 to 15 months is a good length, although several programs are longer.

TEMPORARY ASSIGNMENTS. The bank thus determines a man's executive potential and appraises his progress. Most banks use the credit and loan departments for this.

POSTGRADUATE WORK. "This is an essential follow-up to the basic program." Each "graduate" should receive continued education and training, inside and outside the bank. "While the primary means will be through work associations with seasoned officers, there are many other ways that should be made available: banking schools (usually at universities), business and banking conferences, management seminars and courses, both internal and external."

Some Suggestions

The report suggests that the program be directed by one person; that all instructors receive some training in how to teach; that the purpose of the program be explained to other members of the bank staff so they will understand its importance and so that resentment and morale problems from non-participants will be avoided.

"Finally, give the program top-level support, participation, and follow-up. You're dealing with your most valuable asset—people."

Savings

(CONTINUED FROM PAGE 89)

stitutions. In actual fact, of course, the amount of taxes they have paid in ensuing years has been negligible.

Commercial Banks Paid 130 Times More in Taxes in 1952-59

From 1952 through 1959, the associations and mutuals combined have paid less than $50,000,000. The commercial banks have paid over $6,700,000,000—more than 130 times as much. Looking at it another way, commercial banks paid taxes equivalent to 5.5% on capital accounts while the associations and mutuals were paying an average of less than 2/10 of 1% on capital. If the savings and loan associations and mutuals had paid in the past 10 years the taxes which the Congress had expected from them, our Federal debt could be more than $1½-billion less.

The last year for which we have complete tax returns—1959—provides a compelling example of the tax disparity between commercial banks and competing savings institutions. The staff of the A.B.A. Research Committee has prepared a book, *The Commercial Bank Case for Tax Justice,"* which is an excellent factual presentation of the tax situation. . . . (Story on page 87.)

Have Contributed Full Share in Paying Cost of Government

In conclusion, the commercial banking system is proud of the role which it has played in the development of our dynamic economy. It has always contributed its full share to paying the cost of Government—and in peace and war, in depressions and boom periods, has cooperated with those policies designated for the welfare of our people. By experience and know-how, commercial banks are the best equipped of all financial institutions to handle the complex borrowing needs that go with an expanding economy. The additional funds required to meet these needs must come primarily from savings, and we are perfectly willing to compete for them on an equal basis. In fact, fair and wholesome competition is fundamental to the American system, and will go far to encourage our people to save. But if we are to be put in the ring with a professional with one of our hands tied behind our backs, the result will be obvious.

When similar situations have arisen in the past, the American people have always been able to work out their differences on an equitable basis. In this hour of our nation's great peril in its struggle with international communism, it behooves all of us to pay our full share of the cost of Government—only then can the research, the missiles, the armed forces, the tremendous welfare programs be financed without depreciation of the dollar.

I submit it is unjust in the extreme for an industry handling over $100-billion of the people's money to be virtually immune from paying its fair share of the cost of Government—and using this immunity to drain from the commercial banking system the funds so necessary to finance the needs of our growing economy.

The Curtis-Harrison bills have only one provision—making savings and loan associations and mutual savings banks subject to the same bad debt reserve provisions applicable to all other taxpayers. This would be done by the elimination of the 12% bad debt reserve which has made the income tax yield from these institutions almost negligible.

Washington

(CONTINUED FROM PAGE 38)

time it has a new name. It is a "Truth in Lending" bill.

The central purpose of his measure, the Senator says, "is to prevent the excessive and untimely use of credit by consumers which arises out of the ignorance of the cost of credit." It would require that anyone engaged in the business of extending credit at the retail level fully disclose the price of credit to the borrower in writing, before the transaction is consummated.

Among the information required to be disclosed would be the finance charges in dollars and cents and the percentage that these charges bear to the total amount to be financed, expressed as a simple annual rate on the outstanding unpaid balance.

In hearings last year the A.B.A. endorsed full disclosure of finance charges in dollar amounts, but objected to the expression of these charges in terms of simple annual interest. The Association felt that this provision would be impossible to comply with and would make administration of a disclosure law most difficult. It was also pointed out that many states already have effective laws dealing with this subject and the A.B.A. felt that disclosure laws could best be administered and enforced at this level of government.

The new Douglas bill differs very little from last year's version except for the section dealing with the compliance of state laws. Instead of requiring "substantially the same information" in state laws as would be required under Federal law, the new measure calls for the "same information," meaning statutes must adhere strictly to Federal law, including a simple annual interest requirement. This would be especially onerous to those states with disclosure laws not containing such a provision.

More Support in Senate

The Douglas bill has a good deal of support in the Senate, although not so much in the House, where an identical bill has been introduced by Representative Multer (D., N. Y.). Hearings in the Senate can be expected during this session.

The bank merger situation has become complicated by the entry of the Department of Justice in more than an advisory role in the consideration of merger applications. In general the situation seems to be this: Any merger application which Justice deems proper will be allowed to progress without objection. But those that the Department of Justice believes will have an adverse effect on competition, regardless of the opinions of the bank supervisory agencies, will face antitrust suits.

Representative Wright Patman (D., Tex.) has also added an ingredient to the merger muddle. He has introduced a House Joint Resolution to provide for a moratorium on bank consolidations, mergers, and acquisitions until December 31, 1964, unless it can be shown that such action is necessary to keep the acquired bank open and in operation. Although this proposal does not appear to be going anywhere right now, it is there—and it could.

The article on page 40 describes these developments in more detail.

If you have a square-peg-round-hole customer problem, call **HELLER**

Every so often a potentially sound customer may make a loan request that just does not agree with your policy, or may not fit in because of your commitments . . . any more than a square peg will fit a round hole.

There's no need to lose the customer. Chances are, some form of Heller financing will meet his requirements exactly. Meanwhile you may keep him as a depositor, and when he has outgrown Heller services he is returned to you, stronger and better.

Possibly the situation requires special financing, as, keeping a business solvent in settling an estate, or perhaps a merger or acquisition is involved, where special financing is required.

Let Heller help you make friends and hold customers! Mail the coupon for your complimentary copy of the brochures that explain how.

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State-Chartered Banks Reach Record Growth

THE nation's state-chartered banks enjoyed record growth in 1960, according to a report from the State Bank Division of The American Bankers Association.

The A.B.A. study, an annual review of asset and liability changes of state-supervised banking institutions, covered 8,863 commercial banks and 514 mutual savings banks. It also analyzed earnings and current operating expenses of 8,840 state banks engaged in the commercial banking business.

"Although the number of state-supervised banks at the end of 1960 was seven less than in 1959, deposits, loans made, assets held, and capital funds were at new highs at the close of 1960," the A.B.A. report said. "Assets totaled $159.5-billion, an increase of $8.2-billion, or 5.4%, over 1959. Of this amount, state commercial banks held $118.7-billion and mutual savings banks held $40.8-billion, gains of $6.4-billion and $1.8-billion, or 5.7% and 4.8%, respectively."

Loans and Discounts

The principal asset item listed in the annual review was loans and discounts. These aggregated $81.7-billion, a gain of $5.4-billion or 7% more than in 1959. State commercial banks held $54.4-billion of this total at year-end 1960 and mutual savings banks $27.3-billion, signifying gains of 6.3% and 8.6%, respectively.

The A.B.A. review stated, "The ratio of total loans and discounts to total assets for all state-supervised banks in 1960 was 51.2%, compared with 50.5% in 1959 and 46.7% in 1958. The loan-deposit ratio in 1960 was 57.9%, compared to 56.5% in 1959."

U. S. Government obligations held by the banks covered in the A.B.A. report totaled $34.5-billion. This reflected a slight increase (1.5%) over 1959 and reversed the declining trend indicated the previous year.

"State commercial banks were the

(CONTINUED ON PAGE 126)

(CONTINUED FROM PAGE 124)

main investors in these securities," the A.B.A. report continued, "with a total of $28.3-billion, an increase of 4.1% over 1959. On the other hand, mutual savings banks continued to sell off these obligations, reducing their holdings further by $615.2-million to a total of $6.2-billion, a decline of 9% from 1959."

The annual review added that the ratio of total investments in U. S. securities to total assets for all state-supervised banks in 1960 was 21.6%, as compared with 22.5% in 1959.

For the fourth consecutive year, the rate of increase in time deposits of state commercial banks exceeded that of mutuals, according to the study. Commercial banks reported an increase in 1960 of $1.7-billion or 6.2% over 1959, while mutuals gained $1.4-billion or 3.9% over 1959. Of a total of $66.2-billion in time deposits held by state-supervised banks at the end of 1960, mutual savings banks held $36.3-billion and commercial banks held $29.9-billion.

Earnings and Operating Expenses

Roland L. Adams, president, Bank of York, York, Ala., is president of the State Bank Division. The study was directed by the Division's Committee on State Bank Research headed by Albert C. Simmonds, Jr., chairman of the board, The Bank of New York.

Both earnings and current operating expenses of state commercial banks increased at approximately the same rates in 1960, according to the new high level of $5-billion at year-end, a 10.8% rise over 1959. Current operating expenses for the year totaled $3.3-billion, up 10.3% over 1959. Salaries and wages accounted for 41.9% of operating expenses, followed by interest paid on time and savings deposits (24.6%). The average rate of interest paid on savings deposits by state commercial banks in 1960 was 2.7%—as against 2.5% in 1959.

Net earnings from current operations aggregated $1.8-billion, an increase of 11.8% over 1959. This represented 35.1% of total earnings in 1960, compared with 44.7% the previous year.

The person who agrees with you completely is probably not worth talking to.

Standing from left: VICTOR C. VON MEDING, FRED S. FLOYD, JOSEPH C. FENNER, ERNEST J. HULTGREN, WILLIAM T. DWYER, Assistant Vice-Presidents; Seated, GEORGE W. MILLER and CHARLES F. NEWHALL, Vice-Presidents.

Their full-time job: serving you!

Here are the two administrative officials and the five officers in charge of the territorial areas of the Banks and Bankers Division at The First National Bank of Chicago. They are part of the team of 25 men who have but one job: to serve our more than 2,000 correspondent banks.

Assigned to geographical areas, the men of Division F understand the problems and the needs of local bankers.

They work closely with the officers in our ten commercial divisions to supply our correspondent banks with first-hand financial and industrial information and with complete correspondent services.

No matter what the problem, no matter what the service, you can have full-time correspondent bankers working for you. Visit, telephone or write Division F at The First National Bank of Chicago today!

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(CONTINUED FROM PAGE 35)

TRANSPORTATION. Business getting no worse; earnings outlook no brighter. RRs are disappointed Kennedy didn't get Ways and Means Committee's approval of all his proposals as to highway users' taxes . . . Air transport is still waiting and hoping; has a capacity problem; empty seats press on load factor and earnings. Industry about broke even in 1960; expects no real improvement in 1961, even with a 5% traffic increase. Surplus piston equipment finds few takers abroad.

AUTOS picking up fairly well, but no sales boom. Inventories April 20 were down to 940,000, from early March 1,021,000. Still expect 1961 to produce about 5,800,000 cars. No strike anticipated from August wage negotiations, centering on union demand for weekly salaries.

HOME EQUIPMENT is gaining slowly. Orders picking up, but the trend isn't yet well established. 1960 was a declining year; 1961 will be one of recovery, with 4th quarter the highest and total business about equaling 1960.

STEEL has been improving since January—a gradual climb. Steady further increase ahead, but not phenomenal. From production index of about 84 in December ('57-'59 = 100), by April 22 reached 95.8. More defense spending ahead will help second half and 1961 total output should better 1960.

ALUMINUM inventories still high, so production of primary in 1961 is expected to be less than in 1960. Domestic consumption will be better, but exports probably lower.

PAPER industry considers the low point passed; 1961 slightly better year than 1960, by maybe 2%, productionwise. By mid-year improvement should be in swing.

FOOD business escaped the recession; now is doing considerably better than the economy and outrunning the year-end forecasts. A growing population wants to eat.

RUBBER. March consumption of new rubber, 121,000 long tons, exceeded February's 110,000, but was still well below March 1960's 145,000 tons. March consumption was partly from inventory. Production totaled 113,000 tons.

COAL has some problems. Industrial consumption is below the coal companies' earlier expectations. As industry improves, coal will benefit.

ELECTRICAL. Power equipment new orders have been clouded by the antitrust cases. Utilities are checking whether they have bases for liability suits. Many wait, feeling that prices will decline. Equipment makers are working at 75% capacity.

FDIC Study Shows Record Bank Profits

Bank profits rose 35% last year, reports the FDIC in its recently released study of 13,126 insured commercial banks (excluding mutual savings). The 1960 figures for these banks show that current operating earnings reached $10.7-billion, current expenses were $6.9-billion, and net earnings totaled $3.8-billion.

Over 60% of the earnings were from loans; about 20% from securities. On the expense side, a 13% increase in interest on deposits resulted from higher rates and greater volume.

Net profits after taxes were a record $2.0-billion. Dividend payments rose in both amount and rate, but the $1.2-billion of retained profits indicates that this continues to be the principal source of bank capital.

Significant Ratios (%)	*1959*	*1960*
Net cur. oper. earn. to ave. tot. assets	1.43	1.54
Net prof. after tax to ave. tot. assets	0.63	0.81
Net prof. after tax to ave. tot. cap. accts.	7.94	10.03
Dividends to ave. tot. cap. accts.	4.14	4.16
Increase in loans to ave. loan vol.	5.75	5.96
Int. and div. on sec. to ave. sec.	2.77	3.04
Int. paid to ave. time and sav. dep.	2.36	2.56

New Books

BUSINESS CYCLE INDICATORS. Edited by Geoffrey H. Moore. 2 Vols. Princeton University Press, Princeton, N.Y. $15 the set. The first volume (600 pages, $12.50) of this important study from the National Bureau of Economic Research is titled *Contributions to the Analysis of Current Business Conditions*. It appraises many indicators, lists the most useful ones, and tells why some are laggards, others leaders. Volume II, *Basic Data on Cyclical Indicators* (350 pp. $4.50) presents the statistical data supporting Volume I.

THE PLAYSCRIPT PROCEDURE: A NEW TOOL OF ADMINISTRATION. By *Leslie H. Matthies*. Office Publications, Inc., New York. 183 pp. $5.95. This book describes a new method of writing a procedure manual.

THE NEW LOOK IN BANKING. By *Adrian A. Paradis*. David McKay Co., Inc., New York. 210 pp. $3.50. This is a book on careers for young women in banking and finance. It shows the opportunities, especially for those with skills, goes behind the scenes in several banks to look at positions held by women, tells how banks operate, discusses such things as security, salaries, educational opportunities, offers suggestions, and gives a general introduction to banking.

PUBLIC FINANCE. By *Earl R. Rolph* and *George F. Break*. Ronald Press, New York. 586 pp. $7.50. Two University of California professors wrote this textbook for a course in government or public finance, using the American experience as the basis for most of the discussion.

RESEARCH FOR PUBLIC POLICY. The Brookings Institution, Washington, D.C. 126 pp. Paper $1.50, cloth $2.50. Lectures delivered at the dedication of Brookings' new Center for Advanced Study in Washington. The accompanying discussions by nine panelists are also included.

CORRECTION. The May instalment of "New Books" incorrectly listed YOUR INVESTMENTS, by Leo Barnes, as published by Citadel Press. The publisher is American Research Council, New York.

Your man at the Irving takes your point of view

What businesses or industries are important to you? : : : More than likely you'll find a man at the Irving who shares your interests and whose particular experience can point to greater profit opportunities for you and your customers.

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The OUTLOOK and CONDITION OF BUSINESS

(CONTINUED FROM PAGE 33)

present Federal Reserve powers and methods of control be expanded or diminished—and if so, how?

How does monetary policy affect economic activity in today's economic environment?

Is monetary policy as appropriate and effective a stabilization weapon to combat inflation caused by rising costs or shifts in demand as it is to combat inflation caused by excessive demand?

What should be the relationship between monetary policy, fiscal policy, and debt management policy?

To what extent should monetary policy be influenced by the balance of payments condition of the United States?

Are there any basic principles which should underlie the way various monetary policy instruments are combined?

Should there be any selective credit controls, and if so, which ones?

Should the execution and administration of Government fiscal, debt management, and other Treasury policies related to the monetary and credit system be changed, and if so, how?

What is the nature of the effects of debt management and fiscal policy upon the price level, employment, and growth?

How long does it take before a change in economic conditions requiring a change in policy is acted upon, and how soon after are the policy effects achieved?

How can the Treasury's marketing and underwriting procedures be improved?

What is the possibility of using Treasury cash balances as an instrument of stabilization?

Should responsibility for both monetary and debt management be assigned to a single Federal agency?

In what ways have the Federal credit programs affected the economy generally and in particular the operations of monetary, budget, and fiscal policies, the allocation of resources, and other financial institutions, both public and private?

Do private financial institutions perform properly within the context of a free enterprise economy?

Do they efficiently gather up the surplus funds of savers and deliver them to needy borrowers?

Do they provide holders of existing credit instruments with adequate facilities to shift readily from one to another? Are they effective in helping monetary and social policies achieve their aims?

How do Federal and state regulations that strongly influence the character and extent of competition among financial institutions measure their ability as a group to meet the financial needs of the economy, such as regulations over interest rates, portfolio acquisitions, taxation, the granting of charters, and others?

Has the rapid growth of financial institutions other than banks made it easier or harder for the Federal Reserve System to exert monetary control?

(CONTINUED ON PAGE 136)

BANKING'S Advertisers

June 1961

(CONTINUED FROM PAGE 134)

Would it be possible to organize an agency so that its major policies would be influenced by and responsive to the government of the day, while its technical operations were kept separate and independent?

Beyond the Federal agencies, what are the problems caused by the fact that in certain areas the Federal Government shares its regulatory jurisdiction with the states while in others the regulatory jurisdiction of the states has been paramount?

The commission is made up of the following individuals:

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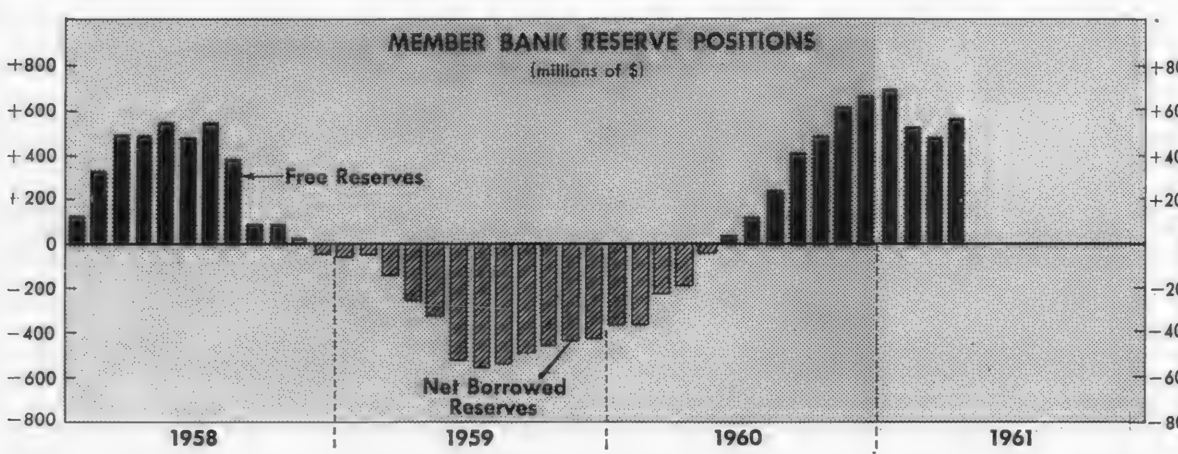
This is the first full-scale study of the monetary system since that of the Aldrich commission 50 years ago.



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President
Bank of Halifax,
Halifax, Virginia, says:

"If the economy of our country is to remain free and dynamic, we must create the capital that will sustain a respectable rate of growth through sound money. U. S. Savings Bonds have a definite place in the portfolio of every business man and every individual who recognizes fiscal responsibility. The rate of interest is most favorable for sure growth of any investment account. When you buy U. S. Savings Bonds you help yourself, your community and the good old U.S.A."

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BANKING
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

IDEAS	# WHAT'S NEW	BOOKLETS
SYSTEMS		PRODUCTS

This department is compiled by ETHEL M. BAUER *of* BANKING'S *staff. Mention in this column does not constitute endorsement by the American Bankers Association.*

NEW PACKAGED tape reel called *Sealedreel,* seals tape and film from dust and extremes in humidity. A molded resilient band of patented design snaps and locks into a conforming bead around the periphery of the

reel. The molded band also wedges itself into the reel and provides a substantial support to the reel flanges, against bending and consequent damage to tape or film. Produced by **Pro-Tex Reel Band Co., 200 Film Building, Cleveland 14, Ohio.**

NEW DESK-TOP key punch by **Panels Wires, Incorporated,** a unit of Raytheon Company, reproduces damaged

tabulator cards on-the-spot without interrupting normal key punch routine. The PWI 001 punch has 14 keys, tab stop and quick release feature. Small, light in weight and entirely mechanical, it is completely portable. Direct inquiries to **Ben Ballard, Panels Wires, Incorporated, 213 E. Grand Ave., S. San Francisco, Calif.**

AN ECONOMICAL, ultrasonic coin cleaner for banks and numismatists has been introduced by **Ultrasonic Industries, Inc., Plainview Long Island, N.Y.** The *System Thirty* removes every trace of foreign matter and contamination but because of Treasury Department mandates, does not brighten the coin.

DRIVE-UP banking at its "level best" is now possible with the new Diebold direction controlled drive-up teller drawer. The unique drawer with elevator action moves up and down to adjust for vehicles of differing heights. For further information write to **Gene Stoney, Diebold Incorporated, Canton, Ohio.**

SMALLER than a telephone is the low-cost, compact, heavy duty automatic letter opener designed by **Openette, Jamaica 31, N.Y.** Simply insert end

of envelope in slot, press bar. Solid steel welded construction. Cutting blades are heat treated and precision ground to insure easy operation and long life. Sharpens itself with use. Size 4" x 8", weighs 3 lbs, is rustproof and has non-skid, non-marking feet.

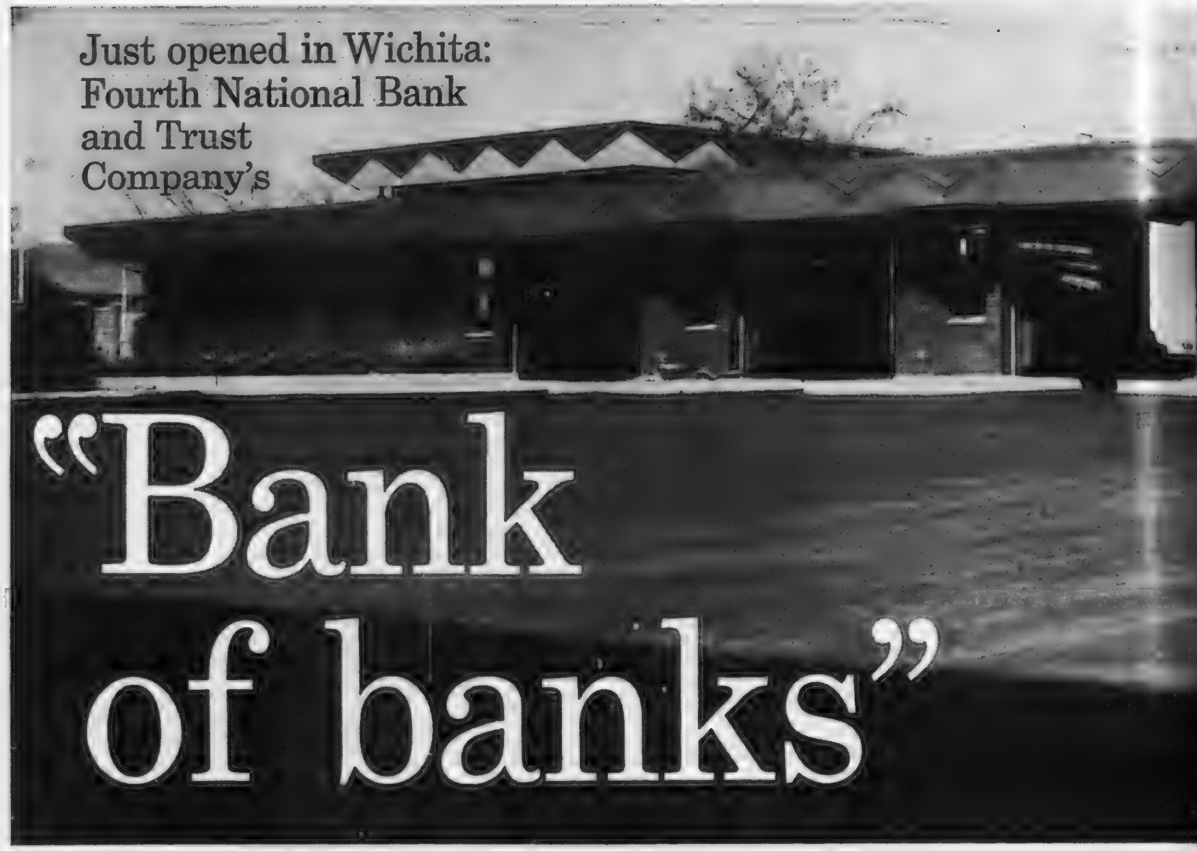
BOOKLETS

FINISH one thought before passing to the next; use short sentences and short paragraphs; and think of dictating as talking on paper. These are three of the 20 hints for good dictation suggested in a handy guide published by **The SoundScriber Corporation.** Free copies of this brochure may be obtained by writing to the **Education Department, 6 Middletown Ave., North Haven, Conn.**

Diebold Power Shelf Filing, a new 8-page color brochure, offers graphic illustrations of the operating efficiency and space-saving potentialities of the Diebold power files. For copies of this booklet write to **Dwight Beatty, Diebold, Incorporated, Canton 2, Ohio.**

AN INFORMATIVE and instructive booklet dealing with alternate methods of check canceling under present day conditions has been announced by **Cummins-Chicago Corp.** Entitled *Check Canceling Procedure,* it is an analysis of canceling techniques, suggesting the best method to use for each different system of check processing. Fully illustrated with photographs of the operations discussed, it completely covers the why, how, and when of check canceling. A free copy can be obtained by addressing a request to **4740 Ravenswood Ave., Chicago 40.**

A NEW booklet, *Auto-Typist Hits Letter Typing Right on the Button,* issued by the **American Automatic Typewriter Company,** reveals how their new push-button Auto Typist can turn out more business letters in less time. To obtain a free booklet, write to **2323 N. Pulaski Rd., Chicago 39.**



Just opened in Wichita: Fourth National Bank and Trust Company's

"Bank of banks"

"We are indeed proud to announce the opening of our new Interchange Motor Bank here in Wichita," says Mr. A. W. Kincade, Chairman of the Board and President of the Fourth National Bank and Trust Company, Wichita, Kansas.

Into a New Era with Mosler

"The banking business recently entered a new era. The by-word in this new phase in banking is *service*—efficient service. Our new Interchange Motor Bank is the very reflection of Fourth National's intention to give this kind of service.

"Fourth National has a proud record of service. We intend to continue this kind of service by adding the very latest equipment for efficiency and customer convenience. Our new Interchange Motor Bank is the last word in banking design and is completely Mosler-equipped.

"Bank of banks"

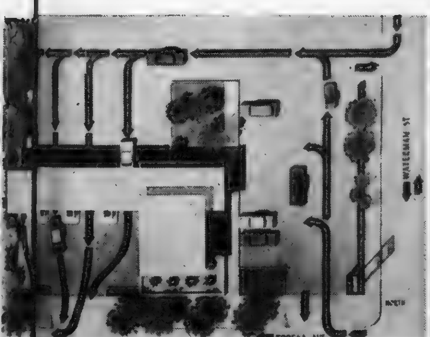
"A most important part of our operation is our building's south wing. This structure is a 'bank' of *six* Mosler Drive-In Windows. We like to think of it as our 'bank of banks'.

Architect's conception of Fourth National Bank and Trust Company's new Interchange Motor Bank Architects Schaefer, Schirmer, and Eflin of Wichita, Kansas.

"These six Drive-Ins offer the ultimate in customer convenience and service. With six units, we can easily handle peak traffic flow. We believe this structure is designed to offer our customers service beyond the usual drive-in.

The Choice of Mosler Equipment

"Our choice of Mosler equipment, particularly the Drive-In Window, was based in part on two factors: (1) customers' comments, and (2) preliminary sur-



Architect's schematic drawing of Interchange Motor Bank and grounds. Note efficient traffic flow through line of Mosler Drive-In Windows.

Architect's conception of modern Interchange Motor Bank lobby. Drive-In Windows seen through lobby windows.

The critical point in efficient modern auto banking—serving the customer through the Mosler Drive-In Window.

Report of the Committee to Study

The Study of Banker Education Programs

THE Study of Banker Education Programs was undertaken in 1959 under the auspices of the A.B.A. Banking Education Committee, of which Everett D. Reese, chairman of the board, The City National Bank & Trust Company, Columbus, Ohio, and president of The American Bankers Association during 1953-54, is chairman. It has enlisted the efforts of a large number of bankers, managing executives of state bankers associations, and professional educators.

The study had its genesis in a resolution adopted in October 1958 by the Executive Committee of the State Association Section, requesting the Banking Education Committee to explore the whole problem of the industry's educational needs under modern conditions and the ways in which these needs can best be met. Later that year, Chairman Reese appointed a special subcommittee of bankers and educators, headed by Herbert V. Prochnow, executive vice-president, The First National Bank of Chicago, to formulate plans for the study.

The report of the Prochnow Committee having been approved by the Banking Education Committee in early 1959, a special task force subcommittee—the Committee to Study Banker Education Programs—was set up to conduct the study. Joseph C. Welman, president, Bank of Kennett, Kennett, Missouri, and president of the A.B.A. during 1957-58, served as chairman of this group. The study committee retained Dr. William H. Baughn, associate dean of the School of Business Administration, University of Texas, and associate (academic) director of The School of Banking of the South, as project director. Dr. Baughn handled most of the work of assembling and analyzing the information and preparing the report.

The recommendations in the report are based upon an analysis of statistical data supplied by the national office of A.I.B. and of the result of comprehensive questionnaires completed by the executive heads of state bankers associations, and by 858 banks, 5,034 students attending resident banking schools during 1960, 1,046 alumni of these schools, and 980 persons receiving A.I.B. certificates during the 1959-60 academic year. Dr. Baughn and his representatives also visited 26 bankers' schools and interviewed individual bankers in a dozen states.

In order to assure close liaison with the State Association Section in the conduct of the study, a committee consisting of the managing executives of four state bankers associations was appointed by the executive committee of the State Association Section to work with the study committee. This committee consisted of Ralph Stickle, executive manager of the Michigan Bankers Association, who served as chairman; Charles L. Fuson, executive secretary of the Oklahoma Bankers Association, C. R. Lee, executive secretary of the Washington Bankers Association and Edward R. Tufts, executive vice-president of the Massachusetts Bankers Association.

Banker Education Programs— A Summary

AT THE annual Spring Meeting in April, the top governing bodies of The American Bankers Association approved the recommendations set forth in pages 61-65 of the Report of the Committee to Study Banker Education Programs and directed the Banking Education Committee to give attention to the suggestions presented in the first 60 pages.

The portion specifically approved by the Administrative Committee and Executive Council is summarized under Section XV below. The balance of the report (summarized under Sections I-XIV) will be considered by the Banking Education Committee after that body is reconstituted next fall.

Copies of the full report (mimeographed) are available in limited quantities from the Banking Education Committee of The American Bankers Association, 12 East 36 Street, New York City 16, N. Y.

BANKING has long been "education-minded." The banking business demands not only a very high degree of technical competence, but a broad understanding of economic environment, the structure and functioning of the financial system, and the industry's public responsibilities. The need for professional adult education in banking has increased in recent years, and will increase further, as a result of the greater complexity of banking operations, increased competition among financial institutions, rising costs, and the impact of Federal Reserve and governmental policies.

It is estimated that there will be about 5,000 to 6,000 new bank officers each year moving up the management channel to fill vacancies created by growth of the banking business, retirements, and separations for other reasons. Training must be provided for additional thousands of non-officer personnel, including many who are or will be in decision-making positions. The challenge for banking education programs over years ahead is obvious.

I. A Statement of the Situation

There is today a vast variety of vocational education programs for bank employees. These range from one-day conferences or workshops to formal schools; from programs for the newly hired clerk to courses for senior management; from highly specialized programs to "general" schools offering a wide range of subjects. In addition to the programs sponsored by the A.B.A.—The Stonier Graduate School of Banking, the National Trust School, and the American Institute of Banking—there are three "regional" schools sponsored by groups of state associations, a large number of general and specialized schools sponsored by individual state associations or a few associations jointly, and a number which are sponsored by other national bankers' associations and local clearing house groups. The number of study conferences, clinics, workshops, and seminars conducted each year by national, state and local banking organizations is staggering.*

When it is considered that these programs have been conducted for the most part on a decentralized basis, and that there have been no blueprints around which they could be designed, it is surprising that so much of real value has been accomplished. Unquestionably, many of the programs are of high quality.

But there are also shortcomings, and these are becoming more glaringly apparent as the number of programs continues to multiply. We find overlapping, duplication, and "over-schooling" in certain fields with voids in other fields. Schools have often been set up with inadequate attention paid to the specific objectives to be

* For a list of bankers' schools and other major educational programs, see "A Closer Look at Bankers' Schools," BANKING, July 1960.

Members of the Special Committee to Formulate Recommendations for the Proposed Study of Banker Education Programs (1958-59)

HERBERT V. PROCHNOW, executive vice-president, The First National Bank of Chicago, Chicago, Illinois (*chairman*)

DR. CLIFTON H. KREPS, JR., Wachovia Associate Professor of Banking, School of Business Administration, University of North Carolina, Chapel Hill, North Carolina

DR. ROBERT A. LOVE, director, Evening and Extension Division, Bernard M. Baruch School of Business and Public Administration, The City College of New York, New York City

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EDWARD A. WAYNE, president, Federal Reserve Bank of Richmond, Richmond, Virginia

DR. MURRAY G. LEE, *staff secretary*

served, and far too little attention has been given to many instances to careful planning of curricula and to effective teaching methods. Some state-level schools, for example, are just small-scale copies of the regional schools, and try to cover the same ground as the latter (though less intensively) for students who are clearly unqualified to derive maximum benefit from the work. In some cases, individual states are trying to conduct programs for which they lack adequate resources and a sufficient "market." Programs have been designated as "schools" when they are really not schools at all, and many have been mislabelled "high-level," "advanced," etc. Inadequate attention to admissions standards has resulted in situations in which many schools have both underqualified and overqualified students, and checks on student performance have been sadly lacking.

All of this points to a definite need for a concerted industry-wide effort to establish a more logical pattern for banker education. *While it is essential that banker education be oriented as much as possible toward local needs, it is equally important that there be some over-all guidance to these efforts.*

This does not mean that all of the schools should be centrally administered; there are important advantages in local autonomy, and central administration is neither desirable nor feasible. *We can, however, through a cooperative effort by interested bankers' groups, establish an over-all framework for effective coordination and orderly development. This step is, in fact, essential if the situation is not to become completely chaotic.* Even now, the total scope of the industry's educational efforts has reached such proportions that bank management faces an almost impossible task of deciding what programs it will support.

An attempt to strengthen the over-all structure of banking education must recognize that there are no easy or simple answers. A careful analysis will show that there are no "one-shot" solutions to the task of providing for the diverse demands of a comprehensive banking education program.

The Committee to Study Banker Education Programs has tried to "see the problem whole" and to put all the elements into proper perspective. Some of its ideas and recommendations have been put forward with complete confidence that they will help to improve the situation; others are only tentative suggestions which will require discussion and testing.

The committee has been particularly mindful of the needs of smaller banks. The greatest need for "outside" education is in the small bank. But for one reason or another, it is the small bank group that has made the least use of the available educational opportunities. For example, our figures show that banks with under $5,000,000 in deposits, although they have about 28% of the nation's bank officers, provided during the past year only 13% of the students in the national and regional schools offering a general banking program and only one percent in the national schools offering specialized programs; and persons in these banks received only 3% of the A.I.B. Standard and Graduate Certificates awarded. The only really effective point of contact with these small banks has been the state-level schools. Last year, 24% of the students at the state "general" schools were supplied by banks in this size category.

There follows a brief summary of the major suggestions and recommendations presented in the 65-page report.

II. The Over-all Task of In-Service Education for Bankers

1. Banking education programs must meet the following needs:
   (a) provide maximum opportunity for persons in banking to fill gaps in their general education;
   (b) provide training in specific subject-matter areas essential to banking;
   (c) provide the banker with an analytical framework within which management problems can be recognized, analyzed and solved; and
   (d) help bankers keep up-to-date on banking problems and techniques.
2. *A clear distinction should be made between "school" programs and other educational efforts such as conferences and workshops, and uniform terminology should be adopted by the industry to describe the several types of programs.* The full report suggests specific criteria for programs held out to bank management as "schools."
3. *With respect to conferences, clinics, seminars, and workshops, it is suggested that the major reponsibility for such educatonal efforts should rest with the state associations.* A.B.A. should concentrate its primary efforts upon school-type programs and should limit its conference activities to:
   (a) conducting national conferences designed to test new ideas that the state associations are not ready to assume, and
   (b) aiding the state associations in their conference-workshop activities by providing materials, ideas, and technical help upon request and within the limits of its capabilities.

III. School-Type Programs in General

1. School-type programs should aim at providing educational opportunities in those subject-matter areas that cannot be learned more effectively inside the bank and which are of enduring rather than passing value. They should be concentrated efforts. The objectives should be carefully defined and curricula should be planned to meet the objectives. Subjects should be picked on some logical basis, and there should be a proper allocation of time and sequence of treatment, so as to give a well-balanced and unified program.

2. Considerable confusion has resulted from merely designating various programs as "high level," "beginning level," or "in-between level" programs. The "level" of a school cannot be determined from the catalogs and materials now circulated which describe the schools. "High level" has been used loosely with little determination of its meaning. Schools have been described as "between A.I.B. and the graduate schools," but without any plan as to how the program was to dovetail at either end. In subject matter and in result, it is hard to distinguish between some of the schools described as "graduate" and others as being for junior officers.

The level of the school is not determined by age or position in the bank. Instead, level is a function of a combination of the following:

(a) nature and complexity of the subject matter;

(b) how the subject matter is treated;
(c) prior level of comprehension required for entry, and
(d) requirements made of students.

3. Although banking school programs cannot be forced into a uniform pattern, the schools can increase their effectiveness by moving to accomplish certain goals:
(a) a clearer definition of objectives;
(b) increased attention to curriculum planning;
(c) more attention to selection of students;
(d) more attention to subject matter content so as to distinguish material that can be taught as compared with material that can be "talked about";
(e) increased student participation through the use of case materials and discussion groups;
(f) a greater attempt to evaluate what students are getting out of the programs, through use of tests, etc.

4. There are certain other specific problems that must be recognized and solved:
(a) the tendency to put more emphasis on the certificate than on the educational content of the program;
(b) judging the effectiveness of a school by the size of its enrolment;
(c) the temptation to pitch programs at the "policy" and to by-pass basic subjects;
(d) confusion of mere "exposure" to a subject with actual education;
(e) the tendency to by-pass material that is unfamiliar or challenging, or which some regard as "theoretical" and to concentrate on subjects that experienced bankers already know or can learn in their own banks if they choose to do so;
(f) too much emphasis on providing "answers" to problems, rather than on teaching students how to analyze and think for themselves;
(g) over-emphasis on specialized training at the expense of general training;
(h) the assumption that students must be "spoon-fed" and that they will not put forth the necessary effort to learn if encouraged to do so, and
(i) the tendency of some banks to utilize the resident schools primarily as a means of developing correspondent business.

5. *A logical over-all plan of banker education calls for structuring the total effort into several levels. By this we mean that several distinct categories of programs should be provided.* Category No. 1 should comprise programs which provide education in the "basics"—background subjects which are essential to effective banking careers. Category No. 2 should comprise programs designed to provide an analytical framework within which general management problems can be recognized, analyzed, and solved. Category No. 3 would comprise schools in specialized fields.

6. *A division of effort among the school is essential.* For all schools to try to do the same thing, or the same thing in smaller or larger doses, would be a serious mistake. If the total educational effort is to be properly structured, all concerned must make a special effort to rise above petty jealousies and competitive motives so that each group can make its maximum contribution to attainment of the paramount overall objective.

Members of the Committee to Study Banker Education Programs

JOSEPH C. WELMAN, president, Bank of Kennett, Kennett, Mo. (*chairman*)

DR. WILLIAM H. BAUGHN, associate dean, School of Business Administration, University of Texas, Austin 12, Texas (*project director*)

A. GORDON BRADT, vice-president, Continental Illinois National Bank and Trust Company of Chicago, Chicago 90, Illinois

JOHN B. HENNEMAN, senior vice-president, Hanover Bank, New York 15, New York

WILLIAM M. JENKINS, president, The First National Bank of Everett, Everett, Washington

RALPH A. MCININCH, chairman of the board and president, Merchants National Bank, Manchester, New Hampshire

CHARLES L. SAYRE, executive vice-president, The National State Bank of Boulder, Boulder, Colorado

ORRIN H. SWAYZE, executive vice-president, First National Bank, Jackson, Mississippi

MARTIN J. TRAVERS, senior vice-president, The Marine Trust Company of Western New York, Niagara Falls, New York

HAROLD W. WALLGREN, vice-president and cashier, The Philadelphia National Bank, Philadelphia 1, Pennsylvania

EDWARD A. WAYNE, president, Federal Reserve Bank of Richmond, Richmond 13, Virginia

DR. MURRAY G. LEE, *staff secretary*

7. The suggested structuring of school-type programs does not imply that individuals would progress through each step in sequence. Some bankers might do so, of course. But many will not need to do so. The important consideration is that there should be provided a suitable variety of programs to meet the needs of persons with varying backgrounds, experience, and potentialities.

8. *Schools of the "basic" type (Category No. 1 above) might be described as first-level.* They should offer such subjects as accounting, economics, money and banking, law, and effective communications. These subjects, to be covered effectively, must be treated systematically over a reasonable period of time. This task should devolve upon A.I.B. and the state-sponsored resident schools. *The latter schools can make a valuable contribution to banking education by concentrating their efforts on these background subjects.* In planning their curricula, they should select subjects to meet the most pressing needs and those that can be covered in the available time. In some cases, cooperation among two or three states in offering this type of program will be desirable.

9. *The second category of schools—"second level" schools—should put heavy emphasis on bank organizational matters, systems analysis, asset management, credit policy, business development, analysis of economic and financial conditions, study of the money and capital markets, and the public responsibility of banking.* The focus should be in the tools of bank management. This segment of banking education can be provided in S.G.S.B. and the regional schools, and to some extent through A.I.B. courses. There is a place here, too, for less comprehensive school-type programs involving smaller groups of students, but geared toward general

management training, such as are presently operated by some state associations. In general, however, state associations should not get into this area until they have first met the "basic" needs discussed in the preceding paragraph.

10. *The third category of banker education—school-type programs in specialized fields—can be provided through specialized A.I.B. courses and through specialized schools run by the A.B.A. and other national associations or by the state associations.* Before such schools are started, a clear-cut case should be developed to show that there is a real need. A number of specialized schools are presently being operated by national banking associations other than the A.B.A.; in general, the A.B.A. should not duplicate these efforts. However, it should be recognized that some of these schools may not meet the needs of individuals, particularly from small banks, who desire a short, intensive course in a "specialty." Also, employees of many A.B.A. member banks are not eligible to attend these schools. *It is the responsibility of A.B.A. to appraise the extent to which these various specialized schools run by other associations meet the needs of its members, and to provide the necessary programs itself if the needs are not already provided for on a practical and reasonable basis.*

11. There has been a tendency for universities to start school-type programs for bankers, or to "push" bankers' associations into co-sponsorship of a school. This can result in over-schooling, and will tend to make the situation even more chaotic unless these efforts are related to an over-all plan and channeled to produce desirable rather than undesirable results. Specific machinery must be established within which proposals by universities for adult banking education can be analyzed and acted upon.

IV. The Resident State Schools

1. At present, state-level schools are a mixture of educational efforts. Some programs should be redesignated as conferences, clinics, seminars, or workshops.

2. A major shortcoming of several state efforts is the fact that programs have been patterned after the regional schools and S.G.S.B., with little effort to distinguish these programs from the ones being copied with little or no real thought as to whether or not the plans were appropriate for the specific undertaking.

3. State associations vary widely with respect to their ability to support banker education activities. In general, states should be encouraged to make a maximum contribution to the clinic-conference field. After a state is certain that its needs of this type have been met, if it is interested in school-type programs, it should be encouraged to meet *basic* school requirements first, and then to move into the more expensive and more complex programs as demand materializes and association resources permit.

4. The report presents a suggested allocation of curriculum time for a basic "first-level" school. The aim of such a school should be to cover background subjects essential for bankers, for either:

(a) bank personnel for which A.I.B. chapter or study courses are not readily available, or

(b) persons who desire to cover the ground faster than normally can be accomplished in the regular A.I.B. work.

These schools should endeavor to cover a few important subjects well. Regular text-type materials should be used, and classroom work should be supplemented by intensive home study problems between sessions. Advance preparation for each day's class should be required. Class size should be limited. Definite methods should be established for establishing the level of learning.

5. It is important that these beginning school programs be limited to the proper student body. They are *not* designed for students who have reached the A.I.B. Standard Certificate level or for persons who have graduated from a college offering comparable background materials. Such persons should not be admitted to "first-level" schools, but should be encouraged to go directly to a regional school after they receive the required banking experience.

6. Some state associations may also wish to conduct other types of schools—for example, specialized schools. But they should do this only after they are satisfied that the *basic* needs have been met.

V. Resident Banking Schools at the Regional and National Levels

1. The Stonier Graduate School of Banking, The School of Banking at the University of Wisconsin, Pacific Coast Banking School, School of Banking of the South, and The Southwestern Graduate School of Banking constitute the group of "second-level" general schools. The primary objective of such schools should be to provide bank management with analytical techniques and a management attitude that will encourage more effective banking. These schools must make use predominantly of banker-teachers to cover management-oriented subjects effectively.

2. These schools should be designed to "pick up" students at the level of understanding comparable to the A.I.B. Standard Certificate or the completion of a state-level general school of the type previously described.

3. At present, many students attending the second-level general schools do not have the prerequisite education desirable for this level program. (Conversely, many persons attending lower-level schools are over-qualified for those programs.) *The regional and national schools should establish specific prerequisites to ensure that all students admitted to the schools have at least some minimum of preparation in such fields as accounting and financial analysis, economics, money and banking, and business law.* These prerequisites could be met by regular college courses, A.I.B. work, or in the state-level schools.

4. The second-level schools are faced with a difficult task of "carving out" management-oriented subject-matter that is of enduring value and can be effectively taught, and of bringing this subject-matter into an organized framework for teaching. To date, not nearly enough attention has been given to detailed curriculum planning and implementation. *It is recommended that the schools work jointly towards deciding upon a central core of subject-matter.* This should be a continuously evolving process in which each such school is subject to critical self-evaluation each year.

5. In addition, an attempt should be made to improve teaching methods. Maximum use should be made of rea-

sonable day-to-day advance assignments. More use should be made of student-oriented cases and discussion problems. Uniform course-text materials should be developed in a few important subjects, for use in all of the second-level schools. An attempt should be made to match size of class with effective teaching methods. *All of these schools should be most hesitant to increase enrolment until after substantial improvement has been made in the learning experience offered to those already in attendance.*

6. There is considerable strength in having the regional schools run under a framework of local autonomy. At the same time, these schools can benefit from coordinated assistance in several distinct areas of need. *The regional schools and S.G.S.B. should move together on a common front and on a coordinated basis, to accomplish the objectives outlined above.*

7. At present, the educational workload is rather unevenly distributed among the existing regional schools. Some draw from much larger areas (in terms of the banking population served) than others. This partially explains the variation in enrolment pressures upon the schools. *It is recommended that the Banking Education Committee explore with state associations their interests in some realignment in the sponsorship of the regional schools, to divide the workload more evenly.* Also, steps should be taken to explore with the state associations in the New England and Middle Atlantic states their interest in establishing an eastern regional school comparable to the schools now conducted in Madison, Seattle, Baton Rouge, and Dallas.

8. *It is recommended that the second-level general schools concentrate their efforts on one major commercial banking program.* They should not dilute their efforts by offering "majors" in specialized fields.

9. S.G.S.B., the Southwestern Graduate School, and the Pacific Coast School now require a thesis. Much can be said both for and against this requirement. It is strongly recommended that schools that do require a thesis reappraise their requirement from the following points of view:

(a) to determine whether or not the school is in a position to offer effective guidance and supervision in thesis preparation, in order that students will produce papers which really deserve to be called "theses";

(b) to make sure that the thesis requirement is not infringing on other assignments that should be required of the student;

(c) to determine whether or not it is feasible to have the thesis requirement apply only to those students who have the ability and interests to conduct thesis research, and to compensate for the thesis requirement by making equal demands of another type upon the remaining students.

10. There seems to be a general feeling that the S.G.S.B. program should stand out in some way from the other schools, and this seems desirable. However, it is not logical to expect that S.G.S.B. could require, as a prerequisite for entry, graduation from one of the regional schools. The distinction between S.G.S.B. and the regionals should be primarily one of quality and depth, not of subject-matter coverage. While joining in the attempt to accomplish the joint goals mentioned above, S.G.S.B. should move more rapidly toward these goals than the other schools. It should also concentrate upon a more demanding program centering around:

(a) more selectivity of students;

(b) heavier concentration on management problems;

(c) more rigorous educational standards;

(d) more extensive use of research-problem solving exercises, and

(e) more comprehensive and precise evaluation of student accomplishments.

(If this is done, there would probably be a substantial demand in the East for a regional school.)

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VI. Specialized Resident Schools

1. Specialized schools have a place in the educational scheme, but only as an adjunct to the total effort. *Specialized education must not be permitted to become predominant.* To provide elaborate special schools for all of the separate fields in banking would fragment banking education and hinder general executive development.

2. *Specialized schools should be established only when there is a clearly-demonstrated need.* The tests for such a need are:

(a) the existence of a core of subject matter of sufficient depth and breadth to provide a school-type curriculum;

(b) the necessity for such a school-type program for adequate personnel development in the specific area;

(c) the existence of subject matter so technical or comprehensive that it cannot be covered adequate-

ly in the general banking schools, and
(d) the existence of an educational requirement that cannot be handled adequately in conferences and in clinics.

3. The committee has not attempted to draw specific conclusions with respect to whether or not schools should be established in the future in various specialized fields. Such decisions should be made at the time proposals are forthcoming, and should be based upon the concentrated consideration of people interested in the specialized field, as well as those concerned with over-all banking education. The existing specialized schools have been examined, and the suggestions that have been offered with respect to additional specialized schools have been studied.

4. The A.B.A. should evaluate carefully the opportunities available for specialized education for its members in schools run by other associations. *When those school facilities offer appropriate education plans and are open to all A.B.A. members on a reasonable basis, A.B.A. should not attempt to duplicate them.*

5. The *audit and control* field is one of the most important to be considered. The present school operated by NABAC could be expanded to provide for banking's near-future demands for education in this field if the school is available to all bankers who can qualify. There appears also to be a need for a school-type program devoted exclusively to "systems analysis," and A.B.A. should explore this with other interested groups. Proper liaison between NABAC and A.B.A. educational activities in related fields should be established. In fact, it should be insisted upon by top leadership in banking.

6. Coverage of the educational requirements in the field of *financial public relations* is now shared by the 2-year school operated by the Financial Public Relations Association, and by certain programs conducted by the state associations. A.B.A. should provide the coordination necessary to make the FPRA School program available to qualified A.B.A. member bank personnel.

7. In the field of *mortgage lending,* the 3-year school now operated by the Mortgage Bankers Association of America, while of extremely high quality, does not fully meet the needs of all commercial bankers. There appears to be a need for a different type of school designed particularly for personnel from small and medium-sized commercial banks, which would offer a concentrated one-session program.

8. A similar situation exists in the field of *instalment credit.* There are now two 3-year schools in this field, operated by other national associations. A 3-year school may meet the needs of the banker who expects to spend his entire career in this specialized field and who will probably not attend a general banking school. But for many bankers, especially from smaller banks, desiring specialized training, a shorter, more concentrated educational program is needed.

9. With respect to the *trust field,* the committee is of the opinion that the plan for trust education should be almost entirely divorced from the remainder of banking education, because of the technical problems presented and because bank personnel do not normally move back and forth between trust work and commercial banking. Responsibility for planning and implementing trust education programs should rest with the Trust Division of the A.B.A. and the trust committees of the state associations, subject to the over-all coordination of the Banking Education Committee. These groups should establish the framework to explore the needs for trust training and the ways in which these needs can best be met. It is also suggested that the regional schools consider the advisability of eliminating their trust "majors" as such. However, plans for an over-all school program in the trust field should give serious consideration to establishing regionally sponsored "first-level" trust schools. The curricula of such schools should be planned and offered under the over-all supervision of the trust groups mentioned above.

10. In the field of *savings banking,* there are two separate needs. One is for schools to cover subjects and techniques essential to the management of a savings bank; this can be met through A.I.B. courses and the Graduate School of Savings Banking recently established by the National Association of Mutual Savings Banks. The second need relates to training of commercial bankers in the savings area. This need can and should be met in the general banking schools, rather than in a specialized school.

11. *Credit analysis* is one of the essential subjects in general banking schools and there does not appear to be a need for specialized schools in this area. Bankers desiring advanced work might consider the Graduate School of Credit and Financial Management, operated by the National Association of Credit Management.

12. Consideration should be given to establishing a school-type program for bankers in the field of *personnel administration.* No specialized banker-run school now exists in this field. If a school program is established, it should be a short, concentrated course geared to the needs of medium- and small-sized banks.

13. There does not appear to be a need at the present time for specialized schools in the fields of *international banking* and *investments.* General banking schools should give proper coverage to both of these areas.

14. The report suggests a possible framework for concentrated one-session specialized schools. *These schools should meet a very narrow and specific objective, should be confined to the minimum time period necessary to cover the essential subject matter, and should be pointed toward the needs of the small- and medium-sized banks.* Coverage should be at a beginning management level, and should include both the "how" and the "why" of the specialized subject area. Educational needs that can be met by conferences and workshops should *not* be confused with the school program.

15. *In order to secure interstate cooperation, and yet not have all of these specialized programs run at the national level, a regional framework for some of these schools seems desirable.* The programs could be offered under the joint sponsorship of state associations, organized on a regional basis, but not necessarily in conjunction with the present regional schools. This decentralized setup would have various advantages. Programs could be offered at different times during the year, and would be available relatively "close to home"; also the size of each school could be kept down to manageable proportions.

16. It does not appear desirable that a second-level school-type program in the same specialized field be originated in any phase of banking, with the exception of the trust area. Those who have finished one of the spe-

cialized schools have available to them the regional schools and S.G.S.B., or a specialized school in another field. Also, they can rely on clinics, workshops and conferences to keep them "up to date."

VII. Refresher-Graduate Type Programs

There appears to be a desire on the part of many alumni of S.G.S.B. and the regional schools for a refresher-graduate type program tailored specifically for them.

It is suggested that the regional schools, in cooperation with S.G.S.B., plan a concentrated one-week school-type program for graduates of these schools. Enrolment should be limited to a maximum of 50, and the school should be open to graduates of any of the regional schools or S.G.S.B. who have been out of school for at least four years. The school should be based on seminar-type instruction and should cover such subjects as the socio-economic environment of banking, public policy matters important to banking, competitive pressures, personnel development and policy formulation, and asset management.

At an appropriate later time, A.B.A. should explore with the directors of the regional schools the feasibility of establishing such a school on a cooperative basis. However, it is recommended that the more immediate needs in banker education be met before this program is implemented.

VIII. The A.I.B. Program

1. The A.I.B. program should continue to be a very significant part of the total in-service educational effort in banking. Its courses offer the most effective coverage of certain segments of banking education, particularly accounting, economics, and law. Organized banking should continue its full support of the A.I.B. effort to secure maximum results from the educational opportunities it offers.

2. With respect to standards, it is difficult to generalize because of the decentralized nature of the A.I.B. program and the breadth of coverage. Opinions and analysis give some evidence that, if there is error in the level of the program, it is that more people believe that the overall requirements are too easy than think they are too difficult. Some bankers think that A.I.B. could increase its impact if less emphasis were placed on number and more on standards which offer a greater challenge. But we should not lose sight of the fact that no one knows who the career bankers are when they first enter the bank. Getting young people into the A.I.B. program is part of the screening process.

3. Having the Pre-Standard Certificate available at a given level of accomplishment may act as an added incentive to individuals to reach that level before stopping. Also, having the Pre-Standard group of courses set aside as they are tends to cause individual chapters to offer these courses on a priority basis, and in a sense this is desirable, for it gives chapters and study groups a guide as to what courses should come first. However, the selection of courses for this certificate should be made with care. These first courses may be all that a person takes, and they should be, in fact, the basic courses in banking.

4. One course in the Pre-Standard group, "Principles of Bank Operations," has during the past five years accounted for one-half of all the Pre-Standard course enrolments and for about one-third of all the A.I.B. certificate course enrolments. Although this is a predominantly descriptive course, it may be serving a valuable purpose as an introductory course for banking. Evidently, many people take *only* this course.

5. It is suggested that consideration be given to including Accounting I in the Pre-Standard group and to moving Accounting II into the Standard group. The course in Investments should be required for the graduate certificate in Commercial Banking. Consideration should be given to a basic course in Mathematics of Finance; this is a subject which cannot be given effective coverage in resident schools.

6. A.I.B.-type coverage is most effective in the case of certain subjects which can be taught by the average teacher when supplied with good text materials. But for certain kinds of management-oriented subjects, text materials are not so important, and superior teaching talent may be required. In these fields, the resident schools can do a better job. Also, the resident schools offer the student an opportunity to get away from the bank and mix with persons with different ideas. *Clearly, therefore, neither the A.I.B. nor the resident schools can cover the whole horizon of banker education. Both must play a role, and the two segments of the total effort should dovetail for maximum advantage.* Of course, many people may never have a chance to attend a resident school, and a substantial number do not have access to A.I.B. courses beyond a very elementary level; hence, there cannot be any exact dividing line between the two segments.

7. *A.I.B. should concentrate its efforts on its basic or core courses.* Before a new course is added, A.I.B. should be convinced that there is enough demand for it to warrant the effort required to introduce it and that it is a subject that can be covered effectively by A.I.B.-type coverage.

8. There is a tendency on the part of students and banks to be more interested in the certificate than in the learning process. A.I.B. should try to counteract this attitude.

9. The difficulty of offering A.I.B. courses in chapters and study groups in regions where banks are geographically scattered is well known. At the same time, there is an urgent need for certain prerequisite work before the advanced schools can offer a satisfactory school program. Certainly, the individual who has completed a number of A.I.B. courses is in a better position to take maximum advantage of the advanced resident schools. *This means that, on some basis, essential courses in the A.I.B. program must be made available to more bankers.* In addition, young people interested in banking careers and who are located in areas where A.I.B. courses can be offered only sparingly may want to move through these courses at a more rapid rate than is now possible. In order to keep these people in banking, bank management must find ways of meeting these needs. Therefore, the two following recommendations are submitted.

10. *A.I.B. should attempt to play a major role in whatever efforts are made to expand the educational opportunities in these basic subject areas. In addition to making a maximum effort to expand its regular chapter and study group courses, A.I.B. should cooperate with state-level schools to provide these basic courses.* Reason-

able flexibility can be achieved and still have the ultimate responsibility for standards for credit rest with the A.I.B. organization. The entire A.I.B. Pre-Standard program could be offered in residence, using A.I.B. texts and examinations; or a state-level school might wish to offer certain of the A.I.B. courses that meet standards, and use A.I.B. texts and examinations, without offering an entire certificate program. The A.I.B. organization should be prepared to examine these plans, and approve those that do not require any lowering of standards.

11. It is recommended that the Banking Education Committee, in cooperation with the A.I.B., explore the feasibility of permitting the "first level" resident schools to use A.I.B. texts, provided the books are purchased at the regular price through banking channels, and provided it is understood in advance that A.I.B. is not expected to grant credit for the courses in which such texts may be used.

12. Where possible, A.I.B. chapters should maintain standards which will add strength to efforts to secure college credit for certain basic A.I.B. courses.

IX. Proposals for School-Type Programs in the Liberal Arts Field

After careful consideration, the committee came to the conclusion that banking should not sponsor any program in the liberal arts field in the near future. While there have been several experiments in this field by individual firms and industries, banking should not follow merely because those programs are "new." No one will doubt the value of the breadth provided by a liberal arts education in banking or any other industry. However, it is very questionable whether a concentrated program of the regular resident type can make any substantial contribution to a person's background in liberal education.

X. Need for Improvement in Instructional Methods

1. Teaching methods should receive as serious attention in school improvement as subject-matter.

2. The lecture method has advantages, including rapidity of coverage and usefulness to inspire and describe. But it has the disadvantage of not actively involving the student in the learning process. Hence the desirability of using more cases and problems in which the students participate. However, the use of problems and cases involves much more advance preparation by school administrators; without proper organization and preparation, these methods may be ineffective. It is important that the students be *ready* for case analysis before problems and cases are tackled. Also, discussion leaders must be well-versed in *both* methodology and subject matter.

3. Visual aids can increase the effectiveness of school-type programs, if planned as an integral part of a carefully structured educational package. A.I.B. should consider seriously the possibility of adding visual aids to its program of banking education.

4. Role-playing and the use of business games are being tried out in some bankers' schools. Role-playing can serve a useful purpose under proper conditions. But the effectiveness of the business game as a teaching device has not been demonstrated so far as banking education is concerned.

XI. Development of Text-Course Materials for Resident Schools

1. There is an obvious need for abbreviated text materials which are suitable for use in resident banking schools. The subject areas in which such materials are most needed, and which would lend themselves to abbreviated text treatment, are:

(a) management of bank funds;
(b) analysis of economic developments and the application of business data to bank management problems, and
(c) analysis of the money and capital markets and the role of the major institutions therein.

In addition, there is an unfilled need, particularly in the state-level general schools, for a brief analysis of the money-credit system.

2. Through cooperative and coordinated effort, the regional schools and S.G.S.B. should attempt to "carve out" subject-matter areas, and plan appropriate course materials for those areas.

3. In addition to text materials, there should be coordinated effort to make available on a mutually advantageous basis case materials and problems that would be useful to all schools.

XII. Relationship Between Internal and Outside-of-Bank Education and Training

1. No clear-cut dividing line can be delineated between the kinds of education and training that should be done inside the bank and the types that should be done outside. Differences in size of banks, geographical location, personnel structure, and philosophy of management combine to make any exact distinction impossible.

2. Banks should examine their education and training needs and try to meet inside the banks *as many* of these needs as can be accomplished effectively. Of course, large banks can go much further in this respect than smaller ones. In general, the "how-to-do-it" type of subject can be handled most efficiently by internal training. Such training must be related to the individual institution's systems and policies, and industry-wide coverage may be so general as to be of little use to the individual bank. Internal training programs, especially in small banks, will necessarily depend heavily for assistance upon suggestions and materials supplied by the A.B.A. and other bankers' organizations. The A.I.B. offers banking an excellent opportunity to blend its internal and external training programs to get the proper "mix" for each bank.

3. The types of educational requirements that *might* be satisfied more efficiently outside the bank include:

(a) education in subjects that require organized school-type coverage because of either (1) the specialized or technical nature of the subject matter or (2) breadth of coverage requiring an integrated curriculum and instructional talents not available to the individual bank.
(b) situations where it is desired to get the individual away from his working environment and expose him to new mental stimuli.

4. For an individual bank to resolve to its own maximum advantage the question of internal versus external education, the management of the bank must understand

the objectives of the outside programs and make the necessary effort to evaluate the effectiveness with which the objectives are being accomplished.

5. Proper recognition must be given to self-improvement in personnel development, along with organized internal training and outside education. It would be a definite mistake for banking to get into a position where it depends for all of its education upon outside schools and conferences, or even on off-the-job training inside the bank. Self-improvement from study and reading should be encouraged.

XIII. Women Students in Resident Banking Schools

Since women make up a large proportion of bank employees, and since more of them are moving up the management ladder, there is no tenable basis for denying them admission to any bankers' school for which they can qualify on objective standards.

XIV. Relationships Between Universities and Banking Groups

1. It is highly desirable to utilize the educational facilities of universities in connection with banker education programs. Universities provide an ideal physical setting for these programs. Also, co-sponsorship with universities helps to build closer working relationships between bankers and educators and may help to offset the tendency of universities to start programs of their own, unrelated to an over-all plan.

2. University participation in the actual operation of resident banking schools varies from one extreme to the other. In some cases, the university assumes almost sole responsibility for planning the curriculum, attracting students, and administration. In other cases, it simply acts as the host. While it is apparent that in each case the university concerned and the sponsoring banking group must be satisfied with their specific arrangements, it seemed desirable that this committee should indicate what it considers to be a logical agreement between the two groups. It is not possible to spell out precisely what the exact role of the university should be in the operation of each school. *It is recommended, however, that the ultimate responsibility for curriculum planning and academic standards rest with the sponsoring banking group. The responsible banking group should create an organizational setup that will provide both the time and the appropriate talent that such planning demands.*

Although control of the program should rest with the sponsoring banking group, sponsoring associations should recognize the university's responsibility for establishing minimum standards that must be met before the university cosponsors such a school.

3. Bankers should make maximum use of academic talent in planning the curriculum and in molding it into a school program. Certain subjects can be covered most effectively by academicians.

Others should be handled by practicing bankers with teaching ability. Where university personnel are used, it is logical for the banking school to use as many local university people as possible, but it should be understood that the employment of local faculty is not in itself an objective of the school.

4. A separate budget should be established for the banking program.

5. In the continuous coordination of resident schools, machinery should be provided for a mutual exchange of information on charges of all types paid by the several schools.

6. Included in the full report is a draft of some of the aspects of an agreement under which a resident banking school might be operated at a university. This skeleton proposal covers only the essential academic aspects of such an agreement, and can be expanded to take care of relevant local matters or any legal matters involved. It is important that such an agreement be in writing.

XV. Educational Functions of the A.B.A.

1. The A.B.A. is the only organization through which effective leadership to the total effort can be provided. This does not mean that A.B.A. should try to do the whole job. Its staff is, and will be, too limited for the total task; and there is substantial strength in having locally sponsored and managed programs. And an attempt by A.B.A. to try to do everything will reduce the effectiveness with which it can do the things it must do.

2. The educational functions of A.B.A. encompass the following:

(a) the formulation and implementation of over-all policies necessary to provide the A.I.B. program at maximum effectiveness;

(b) operation of The Stonier Graduate School of Banking;

(c) planning for school-type programs in selected specialized areas not already covered, and where national or regional programs provide the most effective means of coverage, and cooperating in the operation of these schools where necessary;

(d) continuous appraisal of the over-all task of banking education, evaluating the programs offered outside of the regular banking associations in an attempt to prevent wasteful duplication, and providing necessary liaison in educational matters between A.B.A. and other groups;

(e) providing the framework within which resident banking schools can be coordinated to the advantage of all, without assuming the responsibility for their operation; standing ready to provide these schools with technical assistance in curriculum planning, provision of uniform text materials, etc.; and providing the coordination necessary to allow the schools to move on a common front to improve their programs for maximum results;

(f) propel activity in the conference-clinic area in fields not covered effectively by state associations and other banking groups, and furnishing of reasonable assistance to state associations, upon their request, in their conference-clinic-workshop activities;

(g) providing the leadership to establish the means by which individual bankers can, if they choose to do so, pursue a program of self-improvement; and

(h) engaging in other educational activities, such as public school relations, college relations, and public information programs.

3. It is recommended that in order to attain the above objectives, and to achieve more order in banking education, the educational activities of the A.B.A. be more

centralized at the policy and staff levels. In this way, responsibility for the planning and continuous appraisal of the total educational effort would be clear.

4. Responsibility for over-all educational policy should be assigned to the Banking Education Committee. This committee should be reconstituted to include those persons *actively* engaged in policy formulation for the several aspects of banking education, plus appointed members to give the committee general representation. It is recommended that the future composition of the committee be as follows:

Chairman, S.G.S.B. Board of Regents; president, vice-president, and immediate past president of the A.I.B.; directors (or appropriate banker officials) of two regional schools; director (or appropriate banker official) of a state-level school and one national specialized school; president, State Association Section; chairman, Trust Education Committee; chairman, Foundation for Education in Economics; chairman, Public Relations Committee; chairman, Bank Executive and Staff Development Committee; three appointed members, one of whom should serve as chairman.

5. The Banking Education Committee should have the responsibility for formulating the necessary policies and providing the necessary facilities through which the above-mentioned educational functions of A.B.A. can be carried out. Specifically, the committee should:

(a) Make broad policy for A.B.A. educational activities. While individual units of A.B.A. should continue to have the responsibility for policies associated with their particular educational functions, the approval of the Banking Education Committee should be obtained for changes in the scope, level, or objectives of any A.B.A. program or activity of banker education, and for the initiation of new programs.

(b) Make recommendations as to the division of effort between A.B.A. and other interested groups in providing for the educational needs in banking; recommend the logical divisions of responsibility among the several other groups; decide what aspects of banking education require school-type programs and what aspects can be handled effectively by conferences and clinics; provide a continuing and effective framework by which proposals for new school programs and major changes in school programs, can be evaluated and acted upon.

(c) Provide for the continuous and careful appraisal of the school-type educational opportunities available to member bank personnel through programs not run by A.B.A. and state associations; evaluate the extent to which such opportunities are available to all qualified members; decide whether arrangements for entrance are appropriate for all A.B.A. membership; if opportunities are not available to all members on a reasonable basis, to take steps necessary to provide those opportunities through A.B.A. and state association efforts.

(d) Provide the required A.B.A. staff organization to offer the resident schools effective coordination and assistance in curricula planning, testing and evaluation, and in the preparation of course materials.

(e) Provide the staff necessary to supply guidance and assistance to other A.B.A. units in school, conference, clinic, and public education activities. (Excluded from the responsibilities of this committee would be A.B.A. staff activities involving development and publication of materials which are for use by banks and which do not involve schools and related educational activities.)

6. The activities outlined above would expand A.B.A.'s responsibilities in the educational field, but through proper channeling of resources additional staff requirements could be kept to a minimum. In addition, the nature of these responsibilities demand that this expansion occur over a period of time, thus providing the opportunity for orderly staff development. *Where feasible, plans should provide for self-supporting activities.*

7. *For all of its educational activities, A.B.A. should attempt to make clear to all member banks the basis for its plans and the objectives that each program fulfills.* Where enrolment or other limitations make choices among individual banks or bank personnel necessary, A.B.A. should exercise special care to spell out in writing and in appropriate detail the objective standards by which such choices are made.

8. Upon approval of these recommendations, A.B.A. should take action as rapidly as possible to explore, with state associations, through discussion groups and/or conferences, the problems associated with implementing the aspects of these recommendations that relate to their activities, their plans and needs in operating state-level schools, their roles in the sponsorship of regional schools, and the feasibility for each association to provide the framework by which new educational proposals can be objectively assessed, in order that state associations may pass judgment on matters of local interest and secure the assistance of the Banking Education Committee on matters relating to national or regional programs.

9. A.B.A. should also plan for an invitational conference in 1961 of all resident school directors (or appropriate officials) to explore common problems and establish the means by which coordination can be effected. The agenda should provide an opportunity for all resident schools in joint session to discuss the organization and operation of school-type programs, division of responsibility among the various groups, the tie-in of subject matter among schools, teaching methods, requirements made of students, selection of students, and common problems relating to curricula formulation, course materials, standards, requirements and evaluation.

10. In addition, A.B.A. should plan for a meeting of state association officials from the New England and Middle Atlantic states to explore their interest in sponsoring an eastern regional school. If a sufficient number of states are interested, A.B.A. should establish a framework within which to plan for such a school over a reasonable period of time.

11. A.B.A. should hold a joint session between interested groups in NABAC and A.B.A. to discuss future educational plans in the controlership and systems analysis field (as described above).

12. At an appropriate later time, A.B.A. should plan for a conference of the directors (or appropriate officials) of S.G.S.B. and the regional schools to explore the suggestion for offering on a cooperative basis a refresher-graduate program (as described above).

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